The Ontario Securities Commission

OSC Bulletin

June 3, 2005

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

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JUNE 3, 2005

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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- -

THE COMMISSIONERS

David A. Brown, Q.C., Chair	—	DAB
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Susan Wolburgh Jenah, Vice-Chair	—	SWJ
Paul K. Bates	—	PKB
Robert W. Davis, FCA	—	RWD
Harold P. Hands	—	HPH
David L. Knight, FCA	—	DLK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Carol S. Perry	—	CSP
Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**Philip Services Corp. *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
June 9 & 10, 2005 10:00 a.m. June 15, 2005 12:00 p.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: SWJ/HLM/MTM * Settled
June 7 and 8, 2005 10:00 a.m.	**Buckingham Securities Corporation,** David Bromberg***, Norman Frydrych,** Lloyd Bruce* **and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)** s. 127 J. Superina in attendance for Staff Panel: PMM/RWD/DLK * David Bromberg settled April 20, 2004 * Lloyd Bruce settled November 12, 2004

June 3, 2005 10:00 a.m.	**Olympus United Group Inc.** S.127 M. Mackewn in attendance for Staff Panel: TBA
June 3, 2005 10:00 a.m.	**Norshield Asset Management (Canada) Ltd.** S.127 M. Mackewn in attendance for Staff Panel: TBA
June 3, 2005 11:00 a.m.	**Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig** s. 127 J. Waechter in attendance for Staff Panel: PMM
June 16, 2005 10:00 a.m.	**Gregory Hryniw and Walter Hryniw** s.127 K. Wootton in attendance for Staff Panel: TBA
June 27, 2005 9:00 a.m.	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA
June 29 & 30, 2005 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 J. Cotte in attendance for Staff Panel: PMM/RWD/DLK
August 29, 2005 to September 16, 2005 10:00 a.m.	**In the matter of Allan Eizenga,** Richard Jules Fangeat*, Michael Hersey*, Luke John McGee* and Robert Louis Rizzutto* **and In the matter of Michael Tibollo** s.127
September 12, 2005 2:30 p.m.	T. Pratt in attendance for Staff Panel: WSW/PKB/ST * Fangeat settled June 21, 2004 * Hersey settled May 26, 2004 * McGee settled November 11, 2004 * Rizzutto settled August 17, 2004
September 16, 2005 10:00 a.m.	**Portus Alternative Asset Management Inc., and Portus Asset Management, Inc.** s. 127 M. MacKewn in attendance for Staff Panel: TBA
September 28 and 29, 2005 10:00 a.m.	**Francis Jason Biller** s.127 J. Cotte in attendance for Staff Panel: TBA
November 2005	**Andrew Currah, Joseph Damm, Nicholas Weir, Penny Currah, Warren Hawkins** s.127 J. Waechter in attendance for Staff Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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 NI 81-106 Investment Fund Continuous Disclosure and OSC Rule 81-801

NOTICE OF MINISTERIAL APPROVAL OF
NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE
AND
ONTARIO SECURITIES COMMISSION RULE 81-801
IMPLEMENTING NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE
AND
RELATED AMENDMENTS

On May 2, 2005, the Chair of Management Board of Cabinet approved the following rules which came into force on June 1, 2005:

1. National Instrument 81-106 *Investment Fund Continuous Disclosure*, which contains Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance*;

2. Ontario Securities Commission Rule 81-801 *Implementing National Instrument 81-106 Investment Fund Continuous Disclosure*;

3. related amendments to:

   - National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Form 81-101F1 *Contents of Simplified Prospectus* and Form 81-101F2 *Contents of Annual Information Form*
   - National Instrument 81-102 *Mutual Funds*
   - National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*
   - National Instrument 81-104 *Commodity Pools*
   - National Instrument 51-102 *Continuous Disclosure Obligations*
   - National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*
   - National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, and
   - Ontario Securities Commission Rule 41-502 *Prospectus Requirements for Mutual Funds*; and

4. revocation of National Instrument 54-102 *Interim Financial Statement & Report Exemption*.

The following related policies also came into force on June 1, 2005:

1. Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosur*e;

2. Companion Policy 81-801CP to Ontario Securities Commission Rule 81-801 *Implementing National Instrument 81-106 Investment Fund Continuous Disclosure*;

3. amendments to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Companion Policy 81-102CP to National Instrument 81-102 *Mutual Funds*, and Companion Policy 81-104CP to National Instrument 81-104 *Commodity Pools*; and

4. rescission of National Policy 27 *Canadian Generally Accepted Accounting Principles*, National Policy 31 *Change of Auditor of a Reporting Issuer*, National Policy 50 *Reservations in an Auditor's Report*, and National Policy 51 *Changes in the Ending Date of a Financial Year and in Reporting Status*.

These rules and policies were previously published in a supplement to the Bulletin on March 11, 2005, and are published in Chapter 5 of this Bulletin.

On May 2, 2005, the Chair of Management Board of Cabinet also approved a Regulation amending or revoking certain provisions of Regulation 1015 of the Revised Regulations of Ontario, 1990. This Regulation was filed as O. Reg. 215/04 on May 18, 2005 and will be published in the Ontario Gazette on June 4, 2005. The Regulation is published in Chapter 9 of this Bulletin.

1.1.3 Notice of Commission Approval - TSX Amendments to the TSX Company Manual

The Toronto Stock Exchange Inc. (TSX)
Amendments to the TSX Company Manual

Notice of Commission Approval

On May 19, 2005, the TSX filed with the Commission amendments to the TSX Company Manual (Manual). The purpose of the amendments is to update and correct a number of housekeeping items throughout the Manual. The amendments have been filed as "non-public interest" amendments pursuant to the *Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals* and are deemed to have been approved upon filing. The amendments came into effect May 24, 2005. A TSX Notice, summarizing the nature of the amendments, is published in Chapter 13 of this Bulletin.

1.1.4 Notice of Ministerial Aprroval - Amendments to MI 52-19 and Companion Policy MI 52-109CP

NOTICE OF MINISTERIAL APPROVAL

AMENDMENTS TO
MULTILATERAL INSTRUMENT 52-109
CERTIFICATION OF DISCLOSURE IN ISSUERS'
ANNUAL AND INTERIM FILINGS
AND
COMPANION POLICY 52-109CP

On May 2, 2005, the Chair of the Management Board of Cabinet approved, pursuant to subsection 143.3(3) of the *Securities Act* (Ontario) (the **Act**), an amendment instrument amending Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (the **Amendment Instrument**) as a rule under the Act.

The Amendment Instrument, together with amendments to Companion Policy 52-109CP (the **CP Amendments**), were previously published in the Bulletin on April 1, 2005. The Amendment Instrument and the CP Amendments are published in Chapter 5 of this Bulletin.

The Amendment Instrument and the CP Amendments will come into force in Ontario on June 6, 2005.

1.1.5 Notice of Commission Approval – Amendments to IDA By-laws 1.1 and 29

NOTICE OF COMMISSION APPROVAL – AMENDMENTS TO IDA BY-LAWS 1.1 AND 29 REGARDING CONFLICTS OF INTEREST AND CLIENT PRIORITY

THE INVESTMENT DEALERS ASSOCIATION (IDA)

AMENDMENTS TO IDA BY-LAWS 1.1 AND 29 REGARDING CONFLICTS OF INTEREST AND CLIENT PRIORITY

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission (OSC) approved amendments to IDA By-laws 1.1 and 29 regarding conflicts of interest and client priority. In addition, the Alberta Securities Commission (ASC) approved and the British Columbia Securities Commission (BCSC) did not object to the amendments. The IDA is still awaiting approval from the autorite des marches financiers before implementing the amendments. The amendments address potential conflicts of interest when an IDA member recommends to clients securities of an issuer, or executes trades for clients in securities of an issuer, where the IDA member and related "pro group" hold equity and certain debt securities of the issuer, and the IDA member also provides services to the issuer as an adviser, agent, underwriter or member of a selling group in respect to the issuer's private placement or public offering of securities of the same class. In addition, the amendments clarify that the client priority rule also applies to private placements. The amendments also provide that holdings of the "pro group" that were issued pursuant to a private placement that are subject to a statutory hold period cannot be qualified for resale by way of a prospectus unless an exemption applies.

The amendments were initially published for comment on July 2, 2004 at (2004) 27 OSCB 6229. Immaterial changes have been made to the amendments as a result of comments from the recognizing jurisdictions and the public. Among the changes are that the disclosure obligation ends when either of the conditions for the disclosure obligation (member has entered into an agreement with an issuer to act, and the pro group holdings exceed 10%) ceases to apply, and an additional requirement on members to establish and maintain policies and procedures to identify and manage conflicts. The amendments that were approved by the ASC and the OSC and non-objected to by the BCSC are included in Chapter 13 of this Bulletin, along with a summary of the comment received and response from the IDA. The amendments have been black-lined to indicate the changes from the previously published version.

1.1.6 CSA Notice - Extension of Comment Period for Proposed MI 52-111 and CP 52-111 Reporting on Internal Control over Financial Reporting

CANADIAN SECURITIES ADMINISTRATORS NOTICE EXTENSION OF COMMENT PERIOD FOR PROPOSED MULTILATERAL INSTRUMENT 52-111 AND COMPANION POLICY 52-111CP REPORTING ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND

PROPOSED REPEAL AND REPLACEMENT OF MULTILATERAL INSTRUMENT 52-109, FORMS 52-109F1, 52-109FT1, 52-109F2 AND 52-109FT2 AND COMPANION POLICY 52-109CP CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS

On February 4, 2005, we, the securities regulatory authorities in every Canadian jurisdiction, other than British Columbia, published for comment the following documents:

- Multilateral Instrument 52-111 *Reporting on Internal Control over Financial Reporting* (the Proposed Internal Control Instrument);
- Companion Policy 52-111CP (the Proposed Internal Control Policy and together with the Proposed Internal Control Instrument, the Proposed Internal Control Materials);
- Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (the Revised Certification Instrument);
- Forms 52-109F1, 52-109FVT1, 52-109FM1, 52-109F1R, 52-109F1R – AIF, 52-109F2, 52-109FT2, 52-109FM2 and 52-109F2R (together, the Revised Certification Forms); and
- Companion Policy 52-109CP (the Revised Certification Policy and together with the Revised Certification Instrument and the Revised Certification Forms, the Revised Certification Materials).

The notice accompanying the Proposed Internal Control Materials and the Revised Certification Materials requested that any comments be provided by June 6, 2005.

CSA members have actively solicited feedback, including in discussion forums in several cities over the past two weeks. New guidance from the U.S. Securities and Exchange Commission (the SEC) and the Public Company Accounting Oversight Board (the PCAOB) on the implementation of the rules implementing section 404 of the *Sarbanes-Oxley Act of 2002* was released on May 16, 2005. Several reporting issuers have indicated that they wish to take into account this new guidance in responding

to the CSA and they believe this can be accomplished by June 30, 2005.

In view of the importance the CSA attaches to this comment process, we are acceding to this request.

Written submissions on the Proposed Internal Control Materials and Revised Certification Materials received by June 30, 2005 will be considered.

Questions

Please refer your questions to any of:

Ontario Securities Commission

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June 3, 2005

1.3 News Releases

1.3.1 CSA News Release - Revised Investment Fund Governance Rule Focuses on Investor Protection

FOR IMMEDIATE RELEASE

REVISED INVESTMENT FUND GOVERNANCE RULE FOCUSES ON INVESTOR PROTECTION

May 27, 2005 - Toronto – The Canadian Securities Administrators (CSA) have published for second comment a revised version of a proposed rule on the governance of investment funds that focuses on enhancing investor protection.

The proposed rule would impose a minimum, consistent standard of governance for all publicly offered investment funds. Currently, there is no requirement that investment funds have a governance body.

Under the proposal, every publicly offered investment fund must have an Independent Review Committee (IRC) to oversee a fund manager's decisions in situations where they are faced with a conflict of interest. These conflicts would include "business" or "operational" conflicts that are not specifically regulated today, as well as related-party transactions, which are currently restricted.

"We believe the proposed rule will provide substantial protection to investors," said David Brown, Chair of the Ontario Securities Commission (OSC). "It will ensure that a manager's conflicts of interest do not influence the decisions that affect investors."

The revised rule differs from an earlier proposal, published in 2004, in a number of significant ways, including:

- It would apply to all publicly offered investment funds, not just mutual funds;
- Existing rules and prohibitions on related-party and self-dealing transactions would be retained;
- The IRC would have the ability to stop a manager from proceeding with a prohibited transaction;
- Investors would continue to have the right to vote on a proposed increase of management fees, change of manager, and changes to a fund's investment objective; and
- It would provide the IRC with effective methods to oversee and report on manager conflicts of interest.

"I'm pleased that the CSA members worked collaboratively to find a good fund governance regime for all investment funds," said Jean St-Gelais, Chair of the CSA and President and CEO of the Autorité des marchés financiers du Québec. "Going forward, our capital markets will benefit from this proactive approach to investor protection."

The texts of the proposed instrument, National Instrument 81-107 Independent Review Committee for Investment Funds, and related amendments, are available on several CSA members' websites. CSA members will accept public comments on the proposal until August 25, 2005.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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Director, Communications & Public Affairs
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Patti Pacholek
Saskatchewan Financial Services Commission
(306) 787-5871
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1.3.2 OSC Says Proposed Principal Regulator System Does Not Achieve Meaningful Reform

FOR IMMEDIATE RELEASE
May 27, 2005

OSC SAYS PROPOSED PRINCIPAL REGULATOR SYSTEM DOES NOT ACHIEVE MEANINGFUL REFORM

TORONTO – The Ontario Securities Commission (OSC) cannot support a new principal regulator system developed by the Canadian Securities Administrators (CSA) because it endorses the idea of different regulatory standards for market participants depending on where their head office is located, undermining the CSA harmonization efforts that the OSC continues to strongly support.

OSC Vice-Chair Susan Wolburgh Jenah said that although the OSC had worked with other CSA members to come up with a system that would further harmonize and simplify Canada's regulatory regime, the Commission believes the current proposal falls short of this objective.

"The proposal moves Canada's capital market further away from achieving the important objective of establishing a single, consistent set of securities laws," said Ms. Wolburgh Jenah. "The principal regulator system would allow different standards for public companies doing business in Ontario, creating a competitive disadvantage across Canada."

The intent of the proposed regime is to create a single window of access for market participants across Canada to comply with a single set of securities laws and to deal with one regulator. However, Ms. Wolburgh Jenah said the system is not based on a single securities code – instead, it permits market participants to comply with different laws based on the location of their head office and, for the first time, would allow regulators to export these different standards into other jurisdictions. The OSC believes this creates inefficiency, an unlevel playing field and will result in increased complexity and confusion for market participants.

The OSC has published its position on the principal regulator system (proposed Multilateral Instrument 11-101 Principal Regulator System) on its website (**www.osc.gov.on.ca**) and invites public comment. Comments can be submitted up to July 27, 2005.

The proposed system also introduces a number of investor protection risks that appear to outweigh any incremental benefits or improvements to the current system, said Ms. Wolburgh Jenah. It may also effectively limit the OSC's ability to protect investors in Ontario in situations where public companies based in other jurisdictions fail to meet the OSC's disclosure standards, she added.

The OSC continues to champion the need for a uniform and streamlined regulatory system in Canada and will continue to work with other CSA members to achieve a single code, a fair fee structure, and streamlined access to the capital markets for all participants, said Ms. Wolburgh Jenah.

The OSC strongly supports a parallel and related CSA initiative to streamline and improve the existing Mutual Reliance Review System (MRRS). The notice explaining the OSC's position on the principal regulator system also requests public comment on an OSC proposal to amend, in conjunction with other CSA members, a number of MRRS policies and instruments that will introduce further harmonization and streamlining in its existing review processes.

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

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 Financial Models Company Inc. - s. 83

Headnote

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

Applicable Ontario Statutory Provisions

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

May 27, 2005

Brian Kujavsky
Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montreal, Québec H3A 3N9

Dear Mr. Kujavsky,

Financial Models Company Inc. (the Applicant) – Application to cease to be a reporting issuer under the securities legislation of Alberta, Newfoundland and Labrador, Nova Scotia, Ontario, Québec and Saskatchewan (collectively, the Jurisdictions)

The Applicant has applied to the local securities regulatory authorities (the Decision Makers) 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"
Manager, Corporate Finance
Ontario Securities Commission

2.1.2 Mulvihill Canadian Equity Fund - s. 83

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – A mutual fund is deemed to have ceased being a reporting issuer, provided it meets the requirements set out in CSA Notice 12-307 and subject to additional representations.

Applicable Ontario Statutory Provisions, Rules and Notices

Securities Act R.S.O. 1990, c.s.5, as am., s. 83
CSA Staff Notice 12-307 - Ceasing to be a Reporting Issuer under the Mutual Reliance Review System for Exemptive Relief Applications. (2003) 26 OSCB 6348

May 18, 2005

Fasken Martineau DuMoulin LLP
66 Wellington Street West
Suite 4200, Toronto Dominion Bank Tower
Box 20, Toronto-Dominion Centre
Toronto, Ontario
M5K 1N6

Attention: Munier Saloojee

Dear Mr. Saloojee:

Re: Mulvihill Canadian Equity Fund (the "Fund")
Application to cease to be a reporting issuer under the securities legislation of the provinces of Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador (collectively, the "Jurisdictions")

Mulvihill Fund Services Inc. ("Mulvihill"), the manager of the Fund has applied for and on behalf of the Fund to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for an order under the securities legislation (the "Legislation") of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As Mulvihill has represented for and on behalf of the Fund to the Decision Makers that,

- the outstanding securities of the Fund, including debt securities, are beneficially owned, directly or indirectly, by one securityholder;
- no securities of the Fund are traded on a marketplace as defined in National Instrument 21-101 - *Marketplace Operation*;
- the Fund 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;
- the Fund is not in default of any of its obligations under the Legislation as a reporting issuer;
- the one existing securityholder of the Fund is an accredited investor who is eligible to purchase the securities of the Fund pursuant to exemptions from the registration and prospectus delivery requirements of the Jurisdictions; and
- the one existing securityholder has been given notice of the Fund's request to cease to be 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 Fund is deemed to have ceased to be a reporting issuer.

"Leslie Byberg"
Manager, Investment Funds

2.1.3 Keystone North America Inc. and Keystone Newport ULC - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer of subordinated notes exempt subject to certain conditions from continuous disclosure requirements in National Instrument 51-102 – Continuous Disclosure Obligations and Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings – subordinated notes issued as part of offering of income participating securities consisting of subordinated notes of issuer and common shares of issuer's indirect parent – conditions to relief intended to ensure that continuous disclosure of issuer's direct parent will contain the relevant information to a holder of subordinated notes and will be accessible to such holders.

Rules Cited

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

May 13, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR,
NORTHWEST TERRITORIES,
NUNAVUT AND YUKON (the Jurisdictions)

AND

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

AND

IN THE MATTER OF
KEYSTONE NORTH AMERICA INC. AND KEYSTONE NEWPORT ULC

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker), in each of the Jurisdictions has received an application from Keystone North America Inc. (KNA) and Keystone Newport ULC (Keystone ULC, and together with KNA, the Filers) for a decision under the securities legislation of the Jurisdictions (the Legislation) and in Québec for an exemption to be granted by a revision of general order No. 2004-PDG-0020 dated March 26, 2004, that Keystone ULC be exempt from

1. except in the Northwest Territories, the requirements under the Legislation to:

   (a) issue press releases and file reports regarding material changes (the Material Change Reporting Requirements);

   (b) file annual financial statements together with an auditor's report and annual MD&A, as well as interim financial statements together with a notice regarding auditor review or a written review report, if required, and interim MD&A;

   (c) send annually a request form to the registered holders and beneficial owners of Keystone ULC's securities, other than debt instruments, that the registered holders and beneficial owners may use to request a copy of Keystone ULC's annual financial statements and annual MD&A, interim financial statements and interim MD&A, or both, and to send a copy of financial statements and MD&A to registered holders and beneficial owners;

   (d) send a form of proxy and information circular with a notice of meeting to registered holders of voting securities and to file the information circular, form of proxy and all other material required to be sent in connection with the meeting to which the information circular or form of proxy relates;

   (e) where applicable, file a business acquisition report including any required financial statement disclosure, if Keystone ULC completes a significant acquisition (the BAR Requirement);

   (f) file a copy of any disclosure material that it sends to its securityholders;

   (g) file an annual information form; and

   (h) where applicable, file a copy of any contract that it or any of its subsidiaries is a party to, other than a contract entered into in the ordinary course of business, that is material to Keystone ULC and was entered into within the last financial year, or before the last financial year but is still in effect (the Material Contracts Requirement),

   (collectively, the Continuous Disclosure Requirements); and

2. the requirements under the Legislation except in British Columbia and Québec to:

(a) file annual certificates (Annual Certificates) in accordance with section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* (MI 52-109); and

(b) file interim certificates (Interim Certificates) in accordance with section 3.1 of MI 52-109,

(collectively, the Certification Filing Requirements).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the System):

(a) the Ontario Securities Commission is the principal regulator for this Application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Issuer:

1. KNA is a corporation formed under the laws of Ontario, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.

2. KNA owns all of the Class A common shares of Keystone Group Holdings Inc. (Keystone), representing an approximate 93.7% voting interest in Keystone.

3. Keystone ULC is an unlimited liability company organized under the laws of Nova Scotia, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.

4. The authorized share capital of Keystone ULC is 1,000,000,000 common shares, Keystone owns all of the common shares of Keystone ULC, and Keystone ULC owns all of the preferred shares of Keystone.

5. Keystone is a Delaware corporation, with its head office located at 400 North Ashley Drive, Suite 1900, Tampa, Florida 33602. Keystone, through its subsidiaries, is, in management's estimate, the fifth largest funeral home operator in the United States, owning and operating 177 funeral homes and nine cemeteries in 26 states in the United States.

6. The Filers each filed a preliminary prospectus dated December 23, 2004, an amended and restated preliminary prospectus dated January 11, 2005 and a (final) prospectus dated January 31, 2005 in connection with an initial public offering (the Offering) of income participating securities (IPSs).

7. KNA issued the common shares (the KNA Common Shares) that form part of the IPSs and will satisfy dividends declared on these common shares with the dividends it receives on the Class A common shares that it owns in Keystone.

8. Keystone ULC issued the subordinated notes (the Subordinated Notes) that form part of the IPSs and will satisfy its obligations under the Subordinated Notes with the dividends it receives from Keystone.

9. Mutual Reliance Review System decision documents were issued for the Filers' (a) preliminary prospectus and amended and restated preliminary prospectus on December 24, 2004 and January 12, 2005, respectively and (b) (final) prospectus on January 31, 2005.

10. KNA and Keystone ULC became reporting issuers or the equivalent in each of the Jurisdictions on January 31, 2005 and the initial public offering closed on Febuary 8, 2005.

11. In connection with the Offering, the Filers filed an undertaking (the Undertaking), with the Ontario Securities Commission to provide investors with separate financial statements for any "major subsidiary" (Major Subsidiary) as defined in National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* where GAAP prohibits consolidation of financial information of such subsidiary and the Issuer.

12. Keystone ULC' s obligations under the Subordinated Notes represent its primary liability.

13. Keystone ULC will satisfy its obligations under the Subordinated Notes through the dividends that it will receive on the preferred shares that it owns in the capital of Keystone and it is not currently anticipated that Keystone ULC will have any other meaningful assets or sources of income.

14. Keystone ULC's obligations under the Subordinated Notes are guaranteed by Keystone and each of its subsidiaries.

15. In order to understand and assess the ability of Keystone ULC (and the guarantors) to satisfy the obligations under the Subordinated Notes, a holder of the Subordinated Notes will need to determine (a) the ability of Keystone to satisfy its dividend requirements under the preferred shares held by Keystone ULC and (b) the Keystone

group's ability to satisfy the guarantee obligations of the Subordinated Notes,

16. Because KNA is the ultimate parent of the Keystone group (including Keystone ULC) and is required to:

    (a) include in its public disclosure (e.g., annual information form and material change reports) information concerning all of its material subsidiaries (including Keystone), and

    (b) consolidate the financial position and results of operations of all of the other members of the group,

    it is the public disclosure, including the consolidated financial statements, relating to KNA that is relevant from the perspective of a potential investor. Specifically, it is that information (not information relating solely to Keystone ULC) that permits an investor to determine (a) the ability of Keystone to satisfy its dividend requirements under the preferred shares held by Keystone ULC and (b) the Keystone group's ability to satisfy its guarantee obligations of the Subordinated Notes.

17. KNA has no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the Class A common shares of Keystone and no material liabilities.

18. Keystone ULC will send a form of proxy and information circular to holders of the Subordinated Notes resident in Canada in connection with any meeting of holders of Subordinated Notes.

Decision

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 Continuous Disclosure Requirements and the Certification Filing Requirements shall not apply to Keystone ULC, provided that:

1. Keystone owns all voting securities of Keystone ULC;

2. KNA continues to consolidate the financial information of its subsidiaries including Keystone in KNA's financial information, or if GAAP prohibits the consolidation of the financial information of Keystone or other Major Subsidiary and KNA, KNA complies with its Undertaking to provide holders of Subordinated Notes with separate financial statements for such entity;

3. Keystone ULC continues to have no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the preferred shares of Keystone and no material liabilities other than the Subordinated Notes;

4. KNA has no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the Class A common shares of Keystone and no material liabilities;

5. KNA remains a reporting issuer in each of the Jurisdictions that provides for such a regime and complies with all of its reporting issuer obligations under the regime;

6. Keystone ULC's obligations under the Subordinated Notes continue to be guaranteed by every other subsidiary of KNA;

7. KNA files copies of all documents that KNA is required to file pursuant to the Continuous Disclosure Requirements on Keystone ULC's SEDAR profile at the same time that such documents are required to be filed by KNA on its own SEDAR profile;

8. Keystone ULC complies with the Material Change Reporting Requirements in respect of material changes in the affairs of Keystone ULC that are not also material changes in the affairs of KNA;

9. Keystone ULC complies with the Material Contract Requirements in respect of contracts of Keystone ULC that would be material to Keystone ULC but would not be material to KNA;

10. Keystone ULC complies with the BAR Requirements in respect of business acquisitions that would be significant acquisitions to Keystone ULC but not to KNA;

11. Keystone ULC has not issued any securities to the public other than the Subordinated Notes; and

12. KNA files copies of its own Annual Certificates and Interim Certificates on Keystone ULC's SEDAR profile at the same time as those documents are required to be filed by KNA on its own SEDAR profile.

"Erez Blumberger"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.4 ARC Resources Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from certain continuous disclosure requirements for an issuer of exchangeable securities. Exchangeable securities are exchangeable into trust units of a trust that owns all of the common shares of the issuer.

Applicable National Instruments

National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities
National Instrument 51-102 – Continuous Disclosure Obligations
Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings

May 24, 2005

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

AND

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

AND

IN THE MATTER OF
ARC RESOURCES LTD. (THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that:

    1.1 the Filer be exempted from Part 2 (Annual Filing Requirements) and Part 3 (Responsibilities of Reporting Issuers and Directors) of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101)(the NI 51-101 Relief),

    1.2 in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Yukon and Nunavut (the AIF Jurisdictions), the Filer be exempted from Part 6 (Annual Information Form) of National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102)(the AIF Relief), and

    1.3 except in British Columbia, the Filer be exempted from Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109)(the MI 52-109 Relief).

2. Under the Mutual Reliance Review System for Exemptive Relief (the MRRS):

    2.1 the Alberta Securities Commission is the principal regulator for this application, and

    2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

3. Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

4. The decision is based on the following facts represented by the Filer:

4.1 The Filer was incorporated under the Business Corporations Act (Alberta) on January 22, 1996 and was amalgamated with Orion Energy Holdings Inc. and Pencor Petroleum Limited on March 31, 1999.

4.2 The head office and registered office of the Filer are each located in Calgary, Alberta.

4.3 The Filer is a reporting issuer in each of the Jurisdictions where such status exists, and is not in default of any of its obligations under the Legislation.

4.4 The authorized share capital of the Filer includes an unlimited number of common shares (the ARC Shares) and an unlimited number of exchangeable shares (the Exchangeable Shares).

4.5 As at February 28, 2005, the Filer had the following securities issued and outstanding:

4.5.1 100 ARC Shares, all of which are owned by ARC Energy Trust (the Trust), and

4.5.2 1,743,695 Exchangeable Shares.

4.6 The Exchangeable Shares are listed and posted for trading on the Toronto Stock Exchange (the TSX).

4.7 The Trust was established pursuant to a trust indenture dated May 7, 1996 and amended and restated on May 16, 2003 (the Trust Indenture) pursuant to the laws of Alberta.

4.8 The Trust is, for the purposes of the Income Tax Act (Canada), an unincorporated, open-end mutual fund trust.

4.9 The head office of the Trust is located in Calgary, Alberta.

4.10 The Trust is a reporting issuer in each of the Jurisdictions where such status exists, and is not in default of any of its obligations under the Legislation.

4.11 The authorized capital of the Trust consists of 650,000,000 trust units (the Trust Units) and an unlimited number of special voting units.

4.12 As at February 28, 2005, the Trust had the following securities issued and outstanding:

4.12.1 86,420,725 Trust Units, and

4.12.2 one special voting unit.

4.13 The Trust Units are listed and posted for trading on the TSX.

4.14 The holders of Trust Units (the Unitholders) are the sole beneficiaries of the Trust. Computershare Trust Company of Canada (the Trustee) is the trustee of the Trust. The Filer is the administrator of the Trust.

4.15 The Exchangeable Shares are exchangeable into Trust Units and, to the extent possible, are the economic equivalent of the Trust Units.

4.16 The Exchangeable Shares have voting attributes equivalent to those of the Trust Units.

4.17 Holders of Exchangeable Shares will receive all disclosure materials that the Trust is required to send to holders of Trust Units under the Legislation.

4.18 The exchange rights attaching to the Exchangeable Shares are governed by a voting and exchange trust agreement among the Trust, the Filer, 908563 Alberta Ltd. and the Trustee that provides the Trustee the right to require the Trust or 908563 Alberta Ltd. to exchange the Exchangeable Shares and which will trigger automatically the exchange of the Exchangeable Shares for Trust Units upon the occurrence of certain specified events.

4.19 The Exchangeable Shares are also subject to a support agreement among the Trust, the Filer, 908563 Alberta Ltd. and the Trustee, pursuant to which the Trust and the Filer will take certain actions and make certain payments and will deliver or cause to be delivered Trust Units in satisfaction of the obligations of the Filer.

4.20 Pursuant to an MRRS decision document dated January 31, 2001 (the Previous Decision Document) the Filer was exempted from:

4.20.1 in all of the Jurisdictions, the requirements to issue a press release and file a report upon the occurrence of a material change, file an annual report, where applicable, file interim financial statements and audited annual financial statements, and provide management's discussion and analysis of financial condition and results of operations, and

4.20.2 in Saskatchewan, Ontario, Quebec and Newfoundland and Labrador, the requirement to file an annual information form.

4.21 As a result of the Previous Decision Document and section 13.2 of NI 51-102, the Filer is exempt from the requirements of NI 51-102 other than the requirement to file an annual information form in the AIF Jurisdictions (the NI 51-102 Requirements).

Decision

5. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

6. The decision of the Decision Makers under the Legislation is that:

6.1 the AIF Relief is granted for so long as the Filer is exempt from or otherwise not subject to the NI 51-102 Requirements and the Filer and the Trust are in compliance with the Previous Decision Document;

6.2 the NI 51-101 Relief is granted for so long as:

6.2.1 the Trust files with each Decision Maker copies of all documents required to be filed by it pursuant to NI 51-101 (the 51-101 Documents) and concurrently with the filing of the NI 51-101 Documents the Trust files in electronic format under the System for Electronic Document Analysis and Retrieval (SEDAR) profile of the Filer either:

6.2.1.1 the NI 51-101 Documents, or

6.2.1.2 a notice that indicates:

6.2.1.2.1 that the Filer has been granted an exemption from the requirements of Part 2 (Annual Filing Requirements) and Part 3 (Responsibilities of Reporting Issuers and the Directors) of NI 51-101,

6.2.1.2.2 that the Trust has filed the NI 51-101 Documents, and

6.2.1.2.3 where a copy of the NI 51-101 Documents can be found for viewing on SEDAR by electronic means,

6.2.2 the Filer disseminates, or causes the Trust to disseminate on the Filer's behalf, a news release announcing the filing by the Filer or the Trust of the information set out in section 6.2.1 above, and indicating where a copy of the filed information can be found for viewing on SEDAR by electronic means,

6.2.3 the Filer is exempt from or otherwise not subject to the NI 51-102 Requirements and the requirement to file an annual information form in the AIF Jurisdictions (collectively, the Continuous Disclosure Requirements) and the Filer and the Trust are in compliance with the Previous Decision Document,

6.2.4 if disclosure to which NI 51-101 applies is made by the Filer separately from the Trust, the disclosure includes a statement to the effect that the Filer is relying on an exemption from the requirements to file information annually under NI 51-101 separately from the Trust, and

indicates where disclosure under NI 51-101 filed by the Trust (or by the Filer, if applicable) can be found for viewing on SEDAR by electronic means, and

6.2.5 if the Trust files a material change report to which section 6.1 of NI 51-101 applies, the Filer files the same material change report; and

6.3 the MI 52-109 Relief is granted for so long as:

6.3.1 the Filer is not required to, and does not, file its own interim filings and annual filings (as those terms are defined under MI 52-109),

6.3.2 the Trust files in electronic format under the SEDAR profile of the Filer the:

6.3.2.1 interim filings,

6.3.2.2 annual filings,

6.3.2.3 interim certificates, and

6.3.2.4 annual certificates;

of the Trust, at the same time as such documents are filed or required under the Legislation to be filed by the Trust under its own SEDAR profile, and

6.3.3 the Filer is exempt from or otherwise not subject to the Continuous Disclosure Requirements and the Filer and the Trust are in compliance with the Previous Decision Document.

"Glenda A. Campbell", Q.C., Vice-Chair
Alberta Securities Commission

"Stephen R. Murison", Vice-Chair
Alberta Securities Commission

2.1.5 CanDeal.ca Inc. and Tradeweb LLC - MRRS Decision

Headnote

Exemption from sections 6.1, 6.3 and 6.7 of National Instrument 21-101 Marketplace Operation and Part 8 of National Instrument 23-101 Trading Rules under certain terms and conditions.

May 30, 2005

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

AND

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

AND

IN THE MATTER OF
CANDEAL.CA INC. (CANDEAL) AND TRADEWEB LLC (TRADEWEB), COLLECTIVELY, THE FILERS

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) for the following relief (the Requested Relief):

(a) from the requirement that TradeWeb notify the Decision Makers when during at least three of the preceding four calendar quarters, certain trading thresholds in Non-Canadian Fixed Income Securities are exceeded until December 31, 2006;

(b) from the requirement that TradeWeb become registered as a dealer and become a member of a self-regulatory entity before carrying on business as an ATS;

(c) from restrictions in the Legislation that prohibit CanDeal and TradeWeb, acting through CanDeal, from offering trading in Non-Canadian Fixed Income Securities; and

(d) from the requirement that TradeWeb enter into agreements meeting certain conditions with both regulation service providers and its customers before offering trading in Non-Canadian Fixed Income Securities.

Under the Mutual Reliance Review System for Exemptive Relief Applications

(a) the Ontario Securities Commission (OSC) is the principal regulator for this application, and

(b) the MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

In this decision:

(a) Approved Customers means Permitted Dealer Participants and other sophisticated institutions, other than individuals, that (a) are customers of the Permitted Dealer Participants; (b) are enabled by a Permitted Dealer Participant to use the TradeWeb System; and (c) meet the definition of "Institutional Investor" as defined in Schedule A to this MRRS Decision Document,

(b) ATS means alternative trading system,

(c) Non-Canadian Fixed-Income Securities means (i) U.S. government securities, including U.S. Treasury securities, STRIPS, and discount notes; securities issued by U.S. governmental agencies, including Ginnie Mae securities; securities issued by government sponsored enterprises, including Fannie Mae, Freddie Mac, Sallie Mae, and Federal Home Loan Bank System securities; and securities issued by the International Bank for Reconstruction and Development (the World Bank), the Inter-American Development Bank, the Asian Development Bank, the European Investment Bank and supranational issuers; (ii) debt securities issued by governments in the European Economics Area; (iii) corporate debt securities including U.S. and non-U.S investment grade and non-investment grade corporate bonds denominated in U.S. dollars and Euros; (iv) debt securities of Canadian issuers issued outside of Canada and denominated in other than Canadian dollars; (v) European mortgage bonds (Pfandbriefe/covered bonds) issued by European private mortgage banks and public sector credit institutions for the purpose of funding mortgage

loans; and (vi) money market instruments, including commercial paper, bills and short government securities denominated in U.S. dollars, Euros, Swiss Francs, British Pounds, Japanese Yen, Swedish Krona, and Danish Krone.

(d) Permitted Dealer Participants means brokers and investment dealers who agree under contractual arrangements with CanDeal and TradeWeb that their use of the TradeWeb System will comply with applicable securities laws, and

(e) TradeWeb System means the TradeWeb electronic trading system which matches orders in fixed-income securities in the U.S. and other jurisdictions.

Representations

This decision is based on the following facts represented by the Filers:

1. CanDeal is an Ontario corporation and is registered as an investment dealer in each of the Jurisdictions and is a member of the Investment Dealers Association of Canada.

2. CanDeal operates an ATS in Canada which permits institutional customers to access multi-dealer online fixed income trading.

3. CanDeal has executed an agreement (the "RSP Agreement") with the Investment Dealers Association of Canada ("IDA") to act its regulation services provider with respect to trading in respect of Canadian fixed income instruments.

4. TradeWeb is a Delaware limited liability company and is regulated as an ATS in the U.S. TradeWeb is registered as a broker-dealer in the U.S. and is a member of the National Association of Securities Dealers (NASD).

5. TradeWeb operates the TradeWeb System.

6. TradeWeb and its participating U.S. and European-based liquidity providers have applied, or will apply in Ontario to be registered as international dealers. In other jurisdictions, statutory registration exemptions will be utilized permitting TradeWeb, its liquidity providers and other users to trade with accredited investors.

7. The TradeWeb System will facilitate trading in U.S. government securities, non-U.S. sovereign debt securities, corporate debt securities and money market instruments. Through TradeWeb, Canadian customers will be permitted to trade as and when available in non-U.S. dollar denominated fixed income securities that are offered by European dealers over the TradeWeb system through TradeWeb Europe Ltd., a company licensed by the U.K. F.S.A. Specifically, the TradeWeb system will facilitate trading in Non-Canadian Fixed-Income Securities.

8. The TradeWeb system will be available in Canada to Approved Customers through CanDeal.

9. TradeWeb and CanDeal have entered into a technology and services agreement whereby (i) TradeWeb, utilizing CanDeal as the "client-facing entity", will offer trading in Non-Canadian Fixed-Income Securities to Approved Customers, (ii) utilizing TradeWeb, CanDeal will make Canadian fixed-income securities available in foreign jurisdictions, and (iii) the CanDeal platform will be migrated to and maintained on the TradeWeb network.

10. In addition to the Canadian customer's contractual relationship with CanDeal, Canadian customers that access TradeWeb's services will have the benefit of U.S. and U.K. law protections available to TradeWeb customers by virtue of TradeWeb's status as a registered broker-dealer and member of NASD in the U.S. and TradeWeb Europe Ltd.'s status as an authorized investment firm with the U.K. F.S.A.

Decision

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 Requested Relief is granted provided that:

1. TradeWeb will only offer trading in securities to Canadian customers through CanDeal.

2. CanDeal and TradeWeb will only offer trading in Non-Canadian Fixed-Income Securities to Approved Customers.

3. CanDeal will remain a registered ATS pursuant to the Legislation.

4. CanDeal will remain registered as an investment dealer in each of the Jurisdictions and a member of the IDA and shall keep in place the RSP Agreement.

5. TradeWeb and its participating U.S. and European-based liquidity providers will become registered as, and maintain registration as, international dealers in Ontario.

6. CanDeal will certify in a quarterly filing with the Decision Makers that all trades with Canadian customers were executed through liquidity providers registered as international dealers in

Ontario or relying on available exemptions in the other Jurisdictions.

7. TradeWeb will remain registered with the SEC and a member in good standing of the NASD.

8. TradeWeb Europe Ltd. will remain registered in the U.K. as a dealer and a member in good standing of the U.K. FSA.

9. TradeWeb and CanDeal will immediately notify the Decision Makers if any proceedings of a material or non-administrative nature have been filed or regulatory action been taken against TradeWeb by any foreign regulator.

10. The TradeWeb account agreement will set out the contractual relationship with TradeWeb governing trading services and also with CanDeal in an addendum. The addendum will be signed by the customer and will describe the relationship between CanDeal and TradeWeb. The addendum will also disclose that TradeWeb LLC is a non-Canadian resident company and that proceedings and enforcement against it may be more difficult than if it were resident in Canada. CanDeal's Canadian customers that access TradeWeb's services will have recourse against CanDeal, as a registered ATS, and TradeWeb, as an international dealer, registered with Canadian securities regulatory authorities.

11. CanDeal's current Canadian customers, will receive an addendum that will set out the contractual relationship between TradeWeb and CanDeal. CanDeal's agreement with future Canadian customers, will set out the contractual relationship between TradeWeb and CanDeal within the CanDeal agreement.

12. Canadian unlisted debt securities that are introduced on TradeWeb will be subject to all Canadian transparency requirements.

13. The arrangements between TradeWeb and CanDeal will remain in all material respects as described to the Decision Makers. Subsequent material changes are subject to prior approval of each of the Decision Makers, except the Decision Makers in British Columbia, Alberta, Manitoba, Saskatchewan and the Northwest Territories.

14. TradeWeb will not subcontract or delegate the performance of its obligations to CanDeal without prior approval of each of the Decision Makers, except the Decision Makers in British Columbia, Alberta, Manitoba, Saskatchewan and the Northwest Territories.

15. TradeWeb will meet its obligations to file the initial operations report of an ATS required by the Legislation by filing with the Decision Makers U.S. Form ATS information, supplemented where necessary, with a cross-reference sheet matching information required in the Initial Report.

16. TradeWeb will provide all required documents as requested by the Decision Makers, and the applicable regulation services provider.

"Randee B Pavalow"
Director
Ontario Securities Commission

SCHEDULE A

In this Decision Document, "Institutional Investor" means:

a) a bank listed in Schedule I or II of the *Bank Act* (Canada), or an authorized foreign bank listed in Schedule III of that Act;

b) the Business Development Bank incorporated under the *Business Development Bank Act* (Canada);

c) a loan corporation, trust company, trust corporation, savings company or loan and investment society registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in any province or territory of Canada;

d) a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the *Cooperative Credit Associations Act* (Canada), in each case, located in Canada;

e) a company licensed to do business as an insurance company in a province or territory of Canada;

f) a subsidiary of any company referred to in paragraph (a), (b), (c), (d) or (e), where the company owns all of the voting shares of the subsidiary;

g) a financial services cooperative within the meaning of *the Act respecting Financial Services Cooperatives* (Quebec);

h) the Caisse centrale Desjardins du Québec established under *the Act respecting the Mouvement des Caisses Desjardins* (Quebec);

i) a person or company registered under the securities legislation of the applicable province or territory of Canada as an adviser or dealer, other than a limited market dealer;

j) the government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;

k) any Canadian municipality or any Canadian provincial or territorial capital city;

l) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;

m) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;

n) a registered charity under the *Income Tax Act* (Canada);

o) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least Cdn.$5,000,000 as reflected in its most recently prepared financial statements;

p) a person or company, other than an individual, that is recognized or designated by a Canadian securities regulatory authority as an "accredited investor" or by the Autorité des marchés financiers as a "sophisticated purchaser";

q) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities only to persons or companies that are accredited investors;

r) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities under a prospectus for which a receipt has been granted;

s) an account that is fully managed by a registered portfolio manager or an entity listed in paragraphs (a), (c), (d) or (e);

t) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (a) through (f) and paragraph (m) in form and function; and

u) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are Institutional Investors; provided that:

(i) two or more persons who are the joint registered holders of one or more securities of the issuer shall be counted as one beneficial owner of those securities; and

(ii) a corporation, partnership, trust or other entity shall be counted as one beneficial owner of securities of the issuer unless the entity has been created or is being used primarily for the purpose of acquiring or holding securities of the issuer, in which event each beneficial owner of an equity interest in the entity or each beneficiary

of the entity, as the case may be, shall be counted as a separate beneficial owner of those securities of the issuer.

2.1.6 Aberdeen Asset Management Asia Limited - s. 6.1(1) of MI 31-102 National Registration Database

Headnote

Applicant registered as a non-Canadian adviser (investment counsel and portfolio manager) is exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 O.S.C.B. 926, s. 6.1
Ontario Securities commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1 and 6.1

May 30, 2005

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

AND

IN THE MATTER OF
ABERDEEN ASSET MANAGEMENT ASIA LIMITED

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and section 6.1 of Rule 13-502 Fees)

UPON the Director having received the application of Aberdeen Asset Management Asia Limited (the Applicant) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database (MI 31-102) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees (Rule 13-502) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the Commission);

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

1. The Applicant is incorporated under the laws of Singapore. The Applicant is not a reporting issuer. The Applicant is registered in Ontario as a Non-Canadian Adviser (Investment Counsel & Portfolio Manager). The Applicant is also registered with the Monetary Authority of Singapore and with the U.S. Securities and Exchange Commission. The

head office of the Applicant is located in Singapore.

2. MI 31-102 requires that all registrants in Canada enrol with CDS INC. (CDS) and use the national registration database (NRD) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (electronic funds transfer or, the EFT Requirement).

3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that it is not currently registered in any other Canadian jurisdiction.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the Application Fee).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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 subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;
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AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

“David M. Gilkes”

2.1.7 Delaware Management Business Trust - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

Applicant seeking registration status as a non-resident limited market dealer exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 O.S.C.B. 926, s. 6.1
Ontario Securities commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1 and 6.1

May 31, 2005

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

AND

IN THE MATTER OF
DELAWARE MANAGEMENT BUSINESS TRUST

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* and section 6.1 of Rule 13-502 *Fees*)

UPON the Director having received the application of Delaware Management Business Trust (the **Applicant**) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (**MI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (**Rule 13-502**) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the **Commission**);

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

1. The Applicant is incorporated under the laws of the State of Delaware in the United States and organized under the Delaware Statutory Trust Act. The Applicant is registered as an advisor with the U.S. Securities Exchange Commission. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant is seeking registration in Ontario as an advisor in the category of international advisor. The Applicant's head office is in Philadelphia, Pennsylvania.

2. MI 31-102 requires that all registrants in Canada enrol with CDS INC. (**CDS**) and use the national registration database (**NRD**) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (**electronic funds transfer** or, the **EFT Requirement**).

3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it has applied for registration.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the **Application Fee**).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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 subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

"David M. Gilkes"

2.2 Orders

2.2.1 McDonald's Corporation - s. 83

Headnote

Section 83 of the Securities Act. Issuer is not a reporting issuer in any province or territory of Canada other than Ontario. Canadian shareholders own beneficially less than 2% of a class or series of the Issuer's outstanding securities and represent less than 2% of total number of beneficial shareholders. Issuer's securities voluntarily delisted from the TSX in 1993. Issuer has not distributed any of its securities to Canadian residents since it was delisted from the TSX other than under its direct sales plan or to its employees or affiliates under stock plans. Issuer does not currently intend to offer securities in Canada. No securities of the Issuer trade on any market or exchange in Canada. Issuer is registered with the U.S. Securities Exchange Commission and subject to reporting requirements under U.S. securities legislation. Issuer has securities listed on New York Stock Exchange and other international exchanges. Issuer has issued a press release announcing that it has submitted an application to be deemed to have ceased to be a reporting issuer in Ontario. Issuer has undertaken to the Commission to continue to deliver all disclosure materials required by U.S. securities law to be delivered to securityholders residents in the U.S. to securityholders in Ontario and Canada in the manner and at the same time as required by U.S. securities law and U.S. market requirements. Issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

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

May 17, 2005

IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990,
Chapter S.5, as amended (the Act)

AND

IN THE MATTER OF
MCDONALD'S CORPORATION

ORDER
(Section 83 of the Act)

UPON the application of McDonald's Corporation (the **Company** or **McDonald's**) to the Ontario Securities Commission (the **Commission**) for an order pursuant to section 83 of the Act that the Company be deemed to have ceased to be a reporting issuer for the purposes of the Act;

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

AND UPON it being represented by the Company to the Commission that:

1. McDonald's is a corporation incorporated under the laws of the State of Delaware, United States of America (the **U.S.**).

2. McDonald's became a reporting issuer under the Act on February 12, 1974 when its common stock was listed on the Toronto Stock Exchange (the **TSX**). McDonald's was voluntarily delisted from the TSX on May 13, 1994. The principal reason for delisting the stock was that no shares of McDonald's common stock were traded on the Toronto Stock Exchange in 1993.

3. McDonald's has not distributed any of its securities to Canadian residents since it was delisted from the TSX, other than securities distributed under McDonald's direct sales plan or to employees of McDonald's or its affiliates under McDonald's stock plans.

4. McDonald's has no present intention of seeking public financing by way of an offering of its securities in Ontario.

5. The Company is registered with the U.S. Securities Exchange Commission (the **SEC**) under the U.S. Securities Exchange Act of 1934 and is not in default thereof or the regulations promulgated thereunder.

6. The authorized share capital of McDonald's consists of 3.5 billion shares of common stock (**Shares**) and 165 million shares of preferred stock (**Preferred Shares**). As of June 30, 2004, there were 1,660.6 million Shares and 0 Preferred Shares issued and 1,256.2 million Shares and 0 Preferred Shares outstanding.

7. According to McDonald's shareholders' register as of September 16, 2004, there are 8,717 registered shareholders of McDonald's resident in Canada, holding in the aggregate approximately 2,129,646 Shares representing 0.128% of the McDonald's issued and outstanding Shares. Of these shareholders resident in Canada, 3,891 registered shareholders are resident in Ontario, holding in the aggregate approximately 1,079,033 Shares representing less than 0.064% of all McDonald's issued and outstanding Shares.

8. Residents of Canada:

   (a) do not own directly or indirectly more than 2% of a class or series of the outstanding securities of McDonald's; and

   (b) do not represent in number more than 2% of the total number of owners directly or indirectly of securities of McDonald's.

9. McDonald's is not a "reporting issuer" in any province in Canada other than Ontario and is not in default of its obligations as a reporting issuer.

10. There are no securities of McDonald's listed or posted for trading on any stock exchange or market in Canada. Even though McDonald's is listed by the Commission as a "reporting issuer," McDonald's has not been required to comply with all of the requirements applicable to reporting issuers under the Act and does not file materials electronically through SEDAR.

11. As of September 16, 2004, the Shares are listed and posted for trading on the New York, Chicago, German, Swiss and Euronext Paris stock exchanges.

12. On May 6, 2005 the Company issued and filed a press release announcing that the Company has submitted an application to be deemed to have ceased to be a reporting issuer in Ontario and, if relief is granted, the Company will not be a reporting issuer or the equivalent in any jurisdiction in Canada.

13. The Company has delivered all disclosure material required by U.S. federal securities law to its securityholders resident in Ontario and Canada, in accordance with National Instrument 71-102 *Continuous Disclosure and Other Exemptions relating to Foreign Issuers*.

14. The Company has undertaken to the Commission to continue to deliver all disclosure material required by U.S. securities law to be delivered to securityholders resident in the United States to its securityholders in Ontario and Canada in the manner and at the time required by U.S. securities law and U.S. market requirements. This information is also available to shareholders on the Company's website

at www.McDonalds.com and through the United States Securities and Exchange Commission website at www.sec.gov.

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

IT IS HEREBY ORDERED pursuant to Section 83 of the Act that the Company is deemed to have ceased to be a reporting issuer for the purposes of the Act.

"Paul M. Moore" Q.C.
Vice-Chair

"Wendell S. Wigle" Q.C.
Commissioner

2.2.2 Golden Sunset Trail Inc. - s. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in Alberta and British Columbia since September 9, 2004 and September 23,2004, respectively - issuer's securities listed and posted for trading on the TSX Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially similar to those of Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 83.1(1).

May 26, 2005

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

AND

IN THE MATTER OF
GOLDEN SUNSET TRAIL INC.

ORDER
(Subsection 83.1(1))

UPON the application of Golden Sunset Trail Inc. (the "Company") for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purposes of Ontario securities law;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the "Commission");

AND UPON the Company representing to the Commission as follows:

1. The Company was incorporated under the *Business Corporations Act* (Alberta) on July 28, 2004.

2. The principal and head office of the Company is located at 1038 Barton Street, Stoney Creek, Ontario, L8E 5H3.

3. The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares of which 7,693,333 common shares were issued and outstanding as at September 28, 2004.

4. The Company has a significant connection to Ontario as:

   (a) its principal and head office is located in Ontario;

(b) the Company's President and Chief Executive Officer is a resident in Ontario;

(c) two of the Company's three directors are resident in Ontario; and

(d) 5,493,333 common shares of the Company, or approximately 71% of the total issued common shares of the Company, are registered to residents of Ontario.

5. The Company has been a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act") and under the *Securities Act* (Alberta) (the "Alberta Act") since September 23, 2004 and September 9, 2004, respectively. The Company is not in default of any requirements of the BC Act or the Alberta Act, or the regulations thereunder.

6. The Company is not a reporting issuer in Ontario, and is not a reporting issuer, or equivalent, in any other jurisdiction, except British Columbia and Alberta.

7. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.

8. The continuous disclosure materials filed by the Company under the BC Act and the Alberta Act since August 2004 are available on the System for Electronic Document Analysis and Retrieval.

9. The common shares of the Company are listed on the TSX Venture Exchange (the "Exchange") under the symbol "GST.P", and the Company is in compliance with all requirements of the Exchange, including those applicable to Capital Pool Companies.

10. The Company is currently designated as a capital pool company under the policies of the Exchange.

11. The Company has not been subject to any penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and has not entered into any settlement agreement with any Canadian securities regulatory authority.

12. Neither the Company, nor any of its officers, directors nor, to the knowledge of the Company and its officers and directors, any of its controlling shareholders, has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13. Neither the Company, nor any of its officers, directors nor, to the knowledge of the Company and its officers and directors, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

14. None of the officers or directors of the Company nor, to the knowledge of the Company and its officers and directors, any of its controlling shareholders, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to: (i) any cease trade or similar order, or order that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

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

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Company be deemed to be a reporting issuer for purposes of the Ontario securities law.

“Iva Vranic”
Manager
Corporate Finance

2.2.3 Campbell Lutyens & Co. Ltd - s. 6.1(1) of MI 31-102 National Registration Database and s. 6 of Rule 13-502 Fees

Headnote

Applicant registered as a dealer in the category of international dealer is exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 O.S.C.B. 926, s. 6.1.
Ontario Securities Cmmission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1 and 6.1.

May 30, 2005

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

AND

IN THE MATTER OF
CAMPBELL LUTYENS & CO. LTD

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* and section 6.1 of Rule 13-502 *Fees*)

UPON the Director having received the application of Campbell Lutyens & Co. Ltd (the **Applicant**) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (**MI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (**Rule 13-502**) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the **Commission**);

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

1. The Applicant is organized under the laws of the United Kingdom. The Applicant is registered in Ontario as a dealer in the category of international dealer. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant carries on business in London, UK.

2. MI 31-102 requires that all registrants in Canada enrol with CDS INC. (**CDS**) and use the national registration database (**NRD**) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (**electronic funds transfer** or, the **EFT Requirement**).

3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it has applied for registration.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the **Application Fee**).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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 subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

"David M. Gilkes"

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
Cade Struktur Corporation	13 May 05	26 May 05		25 May 05
Chrysalis Capital II Corporation	17 May 05	27 May 05		27 May 05
Launch Resources Inc.	31 May 05	10 June 05		
NSR Resources Inc.	12 May 05	24 May 05		26 May 05
Rhonda Corporation	18 May 05	30 May 05		30 May 05
World Wide Minerals Ltd.	12 May 05	24 May 05		26 May 05
Wysdom Inc.	18 May 05	30 May 05		30 May 05

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
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Brainhunter Inc.	18 May 05	31 May 05	31 May 05		
Cimatec Environmental Engineering	04 May 05	17 May 05	17 May 05		
Foccini International Inc.	03 May 05	16 May 05	17 May 05		
Hollinger Canadian Newspapers, Limited Partnership	21 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		
How To Web Tv Inc.	04 May 05	17 May 05	17 May 05		
Kinross Gold Corporation	01 Apr 05	14 Apr 05	14 Apr 05		
Lucid Entertainment Inc.	03 May 05	16 May 05	16 May 05		
Mamma.Com Inc.	01 Apr 05	14 Apr 05	14 Apr 05		
Nortel Networks Corporation	17 May 04	31 May 04	31 May 04		
Nortel Networks Limited	17 May 04	31 May 04	31 May 04		
Sargold Resources Corporation	04 May 05	17 May 05	17 May 05		
Thistle Mining Inc.	05 Apr 05	18 Apr 05	18 Apr 05		

Chapter 5

Rules and Policies

5.1.1 National Instrument 81-106 *Investment Fund Continuous Disclosure* and Related Amendments

NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

PART 18 EFFECTIVE DATE AND TRANSITION

NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

PART 1 DEFINITIONS AND APPLICATIONS

1.1 Definitions - In this Instrument

"annual management report of fund performance" means a document prepared in accordance with Part B of Form 81-106F1;

"current value" means, for an asset held by, or a liability of, an investment fund, the value calculated in accordance with Canadian GAAP;

"education savings plan" means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards;

"EVCC" means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;

"independent valuation" means a valuation of the assets and liabilities, or of the venture investments, of a labour sponsored or venture capital fund that contains the opinion of an independent valuator as to the current value of the assets and liabilities, or of the venture investments, and that is prepared in accordance with Part 8;

"independent valuator" means a valuator that is independent of the labour sponsored or venture capital fund and that has appropriate qualifications;

"interim management report of fund performance" means a document prepared in accordance with Part C of Form 81-106F1;

"interim period" means, in relation to an investment fund,

(a) a period of at least three months that ends six months before the end of a financial year of the investment fund, or

(b) in the case of a transition year of the investment fund, a period commencing on the first day of the transition year and ending six months after the end of its old financial year;

"investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;

"labour sponsored or venture capital fund" means an investment fund that is

(a) a labour sponsored investment fund corporation or a labour sponsored venture capital corporation under provincial legislation,

(b) a registered or prescribed labour sponsored venture capital corporation as defined in the ITA,

(c) an EVCC, or

(d) a VCC;

"management expense ratio" means the ratio, expressed as a percentage, of the expenses of an investment fund to its average net asset value, calculated in accordance with Part 15;

"management fees" means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers or sub-advisers, including incentive or performance fees, but excluding operating expenses of the investment fund;

"management report of fund performance" means an annual management report of fund performance or an interim management report of fund performance;

"material change" means, in relation to an investment fund,

(a) a change in the business, operations or affairs of the investment fund that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the investment fund, or

(b) a decision to implement a change referred to in paragraph (a) made

(i) by the board of directors of the investment fund or the board of directors of the manager of the investment fund or other persons acting in a similar capacity,

(ii) by senior management of the investment fund who believe that confirmation of the decision by the board of directors or such other persons acting in a similar capacity is probable, or

(iii) by senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors of the manager or such other persons acting in a similar capacity is probable;

"material contract" means, for an investment fund, a document that the investment fund would be required to list in an annual information form under Item 16 of Form 81-101F2 if the investment fund filed a simplified prospectus under National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"mutual fund in the jurisdiction" means an incorporated or unincorporated mutual fund that is a reporting issuer in, or that is organized under the laws of, the local jurisdiction, but does not include a private mutual fund;

"National Instrument 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"net asset value" means the current value of the total assets of the investment fund less the current value of the total liabilities of the investment fund, as at a specific date;

"non-redeemable investment fund" means an issuer,

(a) whose primary purpose is to invest money provided by its securityholders,

(b) that does not invest,

(i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or

(ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and

(c) that is not a mutual fund;

"quarterly portfolio disclosure" means the disclosure prepared in accordance with Part 6;

"scholarship award" means any amount, other than a refund of contributions, that is paid or payable directly or indirectly to further the education of a beneficiary designated under an education savings plan;

"scholarship plan" means an arrangement under which contributions to education savings plans are pooled to provide scholarship awards to designated beneficiaries;

"transition year" means the financial year of an investment fund in which a change of year end occurs;

"VCC" means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments; and

"venture investment" means an investment in a private company or an investment made in accordance with the requirements of provincial labour sponsored or venture capital fund legislation or the ITA.

1.2 Application

(1) Except as otherwise provided in this Instrument, this Instrument applies to

(a) an investment fund that is a reporting issuer; and

(b) subject to subsection (2), a mutual fund in the jurisdiction.

(2) Despite paragraph (1)(b), in Alberta, British Columbia, Manitoba and Newfoundland and Labrador, this Instrument does not apply to a mutual fund that is not a reporting issuer.

(3) In Saskatchewan, this Instrument does not apply to a Type B corporation within the meaning of *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan).

(4) In Québec, this Instrument does not apply to a reporting issuer organized under

(a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;

(b) an Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2); or

(c) an Act constituting Capital régional et coopératif Desjardins, Loi constituant Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

1.3 Interpretation

(1) Each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund for the purposes of this Instrument.

(2) Terms defined in National Instrument 81-102 *Mutual Funds*, National Instrument 81-104 *Commodity Pool*s and National Instrument 81-105 *Mutual Fund Sales Practices* and used in this Instrument have the respective meanings ascribed to them in those Instruments except that references in those definitions to “mutual fund” must be read as references to “investment fund”.

1.4 Language of Documents

(1) A document that is required to be filed under this Instrument must be prepared in French or English.

(2) If an investment fund files a document in French or in English, and a translation of the document into the other language is sent to a securityholder, the investment fund must file the translated document not later than when it is sent to the securityholder.

(3) In Québec, the linguistic obligations and rights prescribed by Québec law must be complied with.

PART 2 FINANCIAL STATEMENTS

2.1 Comparative Annual Financial Statements and Auditor’s Report

(1) An investment fund must file annual financial statements for the investment fund’s most recently completed financial year that include

(a) a statement of net assets as at the end of that financial year and a statement of net assets as at the end of the immediately preceding financial year;

(b) a statement of operations for that financial year and a statement of operations for the immediately preceding financial year;

(c) statement of changes in net assets for that financial year and a statement of changes in net assets for the immediately preceding financial year;

(d) a statement of cashflows for that financial year and a statement of cashflows for the immediately preceding financial year, unless it is not required by Canadian GAAP;

(e) a statement of investment portfolio as at the end of that financial year; and

(f) notes to the annual financial statements.

(2) Annual financial statements filed under subsection (1) must be accompanied by an auditor's report.

2.2 Filing Deadline for Annual Financial Statements - The annual financial statements and auditor's report required to be filed under section 2.1 must be filed on or before the 90th day after the investment fund's most recently completed financial year.

2.3 Interim Financial Statements - An investment fund must file interim financial statements for the investment fund's most recently completed interim period that include

(a) a statement of net assets as at the end of that interim period and a statement of net assets as at the end of the immediately preceding financial year;

(b) a statement of operations for that interim period and a statement of operations for the corresponding period in the immediately preceding financial year;

(c) a statement of changes in net assets for that interim period and a statement of changes in net assets for the corresponding period in the immediately preceding financial year;

(d) a statement of cashflows for and as at the end of that interim period and a statement of cashflows for the corresponding period in the immediately preceding financial year, unless it is not required by Canadian GAAP;

(e) a statement of investment portfolio as at the end of that interim period; and

(f) notes to the interim financial statements.

2.4 Filing Deadline for Interim Financial Statements - The interim financial statements required to be filed under section 2.3 must be filed on or before the 60th day after the end of the most recent interim period of the investment fund.

2.5 Approval of Financial Statements

(1) The board of directors of an investment fund that is a corporation must approve the financial statements of the investment fund before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.

(2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the financial statements of the investment fund, before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.

2.6 Acceptable Accounting Principles – The financial statements of an investment fund must be prepared in accordance with Canadian GAAP as applicable to public enterprises.

2.7 Acceptable Auditing Standards

(1) Financial statements that are required to be audited must be audited in accordance with Canadian GAAS.

(2) Audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:

1. The auditor's report must not contain a reservation.

2. The auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report.

3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative period.

4. The auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

2.8 Acceptable Auditors - An auditor's report must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada, and that meets the professional standards of that jurisdiction.

2.9 Change in Year End

(1) This section applies to an investment fund that is a reporting issuer.

(2) Section 4.8 of National Instrument 51-102 applies to an investment fund that changes its financial year end, except that

(a) a reference to "interim period" must be read as "interim period" as defined in this Instrument;

(b) a requirement under National Instrument 51-102 to include specified financial statements must be read as a requirement to include the financial statements required under this Part; and

(c) a reference to "filing deadline" in subsection 4.8(2) of National Instrument 51-102 must be read as a reference to the filing deadlines provided for under section 2.2 and 2.4 of this Instrument.

(3) Despite section 2.4, an investment fund is not required to file interim financial statements for any period in a transition year if the transition year is less than nine months in length.

(4) Despite subsections 4.8(7) and (8) of National Instrument 51-102,

(a) for interim financial statements for an interim period in the transition year, the investment fund must include as comparative information

(i) a statement of net assets and a statement of investment portfolio as at the end of its old financial year; and

(ii) a statement of operations, a statement of changes in net assets, and, if applicable, a statement of cashflows, for the interim period of the old financial year;

(b) for interim financial statements for an interim period in a new financial year, the investment fund must include as comparative information

(i) a statement of net assets and a statement of investment portfolio as at the end of the transition year; and

(ii) a statement of operations, a statement of changes in net assets, and, if applicable, a statement of cashflows, for the period that is one year earlier than the interim period in the new financial year.

2.10 Change in Legal Structure - If an investment fund that is a reporting issuer is party to an amalgamation, arrangement, merger, winding-up, reorganization or other transaction that will result in

(a) the investment fund ceasing to be a reporting issuer,

(b) another entity becoming an investment fund,

(c) a change in the investment fund's financial year end, or

(d) a change in the name of the investment fund,

the investment fund must, as soon as practicable, and in any event not later than the deadline for the first filing required by this Instrument following the transaction, file a notice stating:

(e) the names of the parties to the transaction;

(f) a description of the transaction;

(g) the effective date of the transaction;

(h) if applicable, the names of each party that ceased to be a reporting issuer following the transaction and of each continuing entity;

(i) if applicable, the date of the investment fund's first financial year end following the transaction; and

(j) if applicable, the periods, including the comparative periods, if any, of the interim and annual financial statements required to be filed for the investment fund's first financial year following the transaction.

2.11 Filing Exemption for Mutual Funds that are Non-Reporting Issuers - A mutual fund that is not a reporting issuer is exempt from the filing requirements of section 2.1 for a financial year or section 2.3 for an interim period if

(a) the mutual fund prepares the applicable financial statements in accordance with this Instrument;

(b) the mutual fund delivers the financial statements to its securityholders in accordance with Part 5 within the same time periods as if the financial statements were required to be filed;

(c) the mutual fund has advised the regulator or securities regulatory authority that it is relying on this exemption not to file its financial statements; and

(d) the mutual fund has included in a note to the financial statements that it is relying on this exemption not to file its financial statements.

2.12 Disclosure of Auditor Review of Interim Financial Statements

(1) This section applies to an investment fund that is a reporting issuer.

(2) If an auditor has not performed a review of the interim financial statements required to be filed, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

(3) If an investment fund engaged an auditor to perform a review of the interim financial statements required to be filed and the auditor was unable to complete the review, the interim financial statements must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial statements and the reasons why.

(4) If an auditor has performed a review of the interim financial statements required to be filed and the auditor has expressed a reservation in the auditor's interim review report, the interim financial statements must be accompanied by a written review report from the auditor.

PART 3 FINANCIAL DISCLOSURE REQUIREMENTS

3.1 Statement of Net Assets - The statement of net assets of an investment fund must disclose the following as separate line items, each shown at current value:

1. cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments.

2. investments.

3. accounts receivable relating to securities issued.

4. accounts receivable relating to portfolio assets sold.

5. accounts receivable relating to margin paid or deposited on futures or forward contracts.

6. amounts receivable or payable in respect of derivatives transactions, including premiums or discounts received or paid.

7. deposits with brokers for portfolio securities sold short.

8. accrued expenses.

9. accrued incentive arrangements or performance compensation.

10. portfolio securities sold short.

11. liabilities for securities redeemed.

12. liabilities for portfolio assets purchased.

13. income tax payable.

14. total net assets and securityholders' equity and, if applicable, for each class or series.

15. net asset value per security, or if applicable, per security of each class or series.

3.2 Statement of Operations - The statement of operations of an investment fund must disclose the following information as separate line items:

1. dividend revenue.

2. interest revenue.

3. income from derivatives.

4. revenue from securities lending.

5. management fees, excluding incentive or performance fees.

6. incentive or performance fees.

7. audit fees.

8. directors' or trustees' fees.

9. custodial fees.

10. legal fees.

11. securityholder reporting costs.

12. capital tax.

13. amounts that would otherwise have been payable by the investment fund that were waived or paid by the manager or a portfolio adviser of the investment fund.

14. provision for income tax.

15. net investment income or loss for the period.

16. realized gains or losses.

17. unrealized gains or losses.

18. increase or decrease in net assets from operations and, if applicable, for each class or series.

19. increase or decrease in net assets from operations per security or, if applicable, per security of each class or series.

3.3 Statement of Changes in Net Assets - The statement of changes in net assets of an investment fund must disclose, for each class or series, the following as separate line items:

1. net assets at the beginning of the period to which the statement applies.

2. increase or decrease in net assets from operations.

3. proceeds from the issuance of securities of the investment fund.

4. aggregate amounts paid on redemption of securities of the investment fund.

5. securities issued on reinvestment of distributions.

6. distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold, and return of capital.

7. net assets at the end of the period reported upon.

3.4 Statement of Cashflows - The statement of cashflows of an investment fund must disclose the following as separate line items:

1. net investment income or loss.

2. proceeds of disposition of portfolio assets.

3. purchase of portfolio assets.

4. proceeds from the issuance of securities of the investment fund.

5. aggregate amounts paid on redemption of securities of the investment fund.

6. compensation paid in respect of the sale of securities of the investment fund.

3.5 Statement of Investment Portfolio

(1) The statement of investment portfolio of an investment fund must disclose the following for each portfolio asset held or sold short:

1. the name of the issuer of the portfolio asset.

2. a description of the portfolio asset, including

(a) for an equity security, the name of the class of the security.

(b) for a debt instrument not included in paragraph (c), all characteristics commonly used commercially to identify the instrument, including the name of the instrument, the interest rate of the instrument, the maturity date of the instrument, whether the instrument is convertible or exchangeable and, if used to identify the instrument, the priority of the instrument.

(c) for a debt instrument referred to in the definition of "money market fund" in National Instrument 81-102 *Mutual Funds*, the name, interest rate and maturity date of the instrument.

(d) for a portfolio asset not referred to in paragraph (a), (b) or (c), the name of the portfolio asset and the material terms and conditions of the portfolio asset commonly used commercially in describing the portfolio asset.

3. the number or aggregate face value of the portfolio asset.

4. the cost of the portfolio asset.

5. the current value of the portfolio asset.

(2) For the purposes of subsection (1), disclosure for a long portfolio must be segregated from the disclosure for a short portfolio.

(3) For the purposes of subsection (1) and subject to subsection (2), disclosure must be aggregated for portfolio assets having the same description and issuer.

(4) Despite subsection (1) and (3) and subject to subsection (2), the information referred to in subsection (1) may be provided in the aggregate for those short term debt instruments that

(a) are issued by a bank listed in Schedule I, II or III to the Bank Act (Canada) or a loan corporation or trust corporation registered under the laws of a jurisdiction, or

(b) have achieved an investment rating within the highest or next highest categories of ratings of each approved credit rating organization.

(5) If an investment fund discloses short term debt instruments as permitted by subsection (4), the investment fund must disclose separately the aggregate short term debt instruments denominated in any currency if the aggregate exceeds 5% of the total short term debt.

(6) If an investment fund holds positions in derivatives, the investment fund must disclose in the statement of investment portfolio or the notes to that statement,

(a) for long and short positions in options,

(i) the quantity of the underlying interest, the number of options, the underlying interest, the strike price, the expiration month and year, the cost and the current value, and

(ii) if the underlying interest is a future, information about the future in accordance with subparagraph (i);

(b) for positions in futures and forwards, the number of futures and forwards, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value;

(c) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates, and the current value; and

(d) if a rating of a counterparty has fallen below the approved credit rating level.

(7) If applicable, the statement of investment portfolio included in the financial statements of the investment fund, or the notes to the statement of investment portfolio, must identify the underlying interest that is being hedged by each position taken by the investment fund in a derivative.

(8) An investment fund may omit the information required by subsection (1) about mortgages from a statement of investment portfolio if the statement of investment portfolio discloses

(a) the total number of mortgages held;

(b) the aggregate current value of mortgages held;

(c) a breakdown of mortgages, by reference to number and current value among mortgages insured under the National Housing Act (Canada), insured conventional mortgages and uninsured conventional mortgages;

(d) a breakdown of mortgages, by reference to number and current value, among mortgages that are pre-payable and those that are not pre-payable; and

(e) a breakdown of mortgages, by reference to number, current value, amortized cost and outstanding principal value, among groups of mortgages having contractual interest rates varying by no more than one quarter of one percent.

(9) An investment fund must maintain records of all portfolio transactions undertaken by the investment fund.

3.6 Notes to Financial Statements

(1) The notes to the financial statements of an investment fund must disclose the following:

1. the basis for determining current value and cost of portfolio assets and, if a method of determining cost other than by reference to the average cost of the portfolio assets is used, the method used.

2. if the investment fund has outstanding more than one class or series of securities ranking equally against its net assets, but differing in other respects,

   (a) the number of authorized securities of each class or series;

   (b) the number of securities of each class or series that have been issued and are outstanding;

   (c) the differences between the classes or series, including differences in sales charges, and management fees;

   (d) the method used to allocate income and expenses, and realized and unrealized capital gains and losses, to each class;

   (e) the fee arrangements for any class-level expenses paid to affiliates; and

   (f) transactions involving the issue or redemption of securities of the investment fund undertaken in the period for each class of securities to which the financial statements pertain.

3. (a) total commissions and other transaction costs paid or payable to dealers by the investment fund for its portfolio transactions during the period reported upon; and

   (b) to the extent the amount is ascertainable, separate disclosure of the soft dollar portion of these payments, where the soft dollar portion is the amount paid or payable for goods and services other than order execution.

4. the total cost of distribution of the investment fund's securities recorded in the statement of changes in net assets.

(2) If not disclosed elsewhere in the financial statements, an investment fund that borrows money must, in a note to the financial statements, disclose the minimum and maximum amount borrowed during the period to which the financial statements or management report of fund performance pertain.

3.7 Inapplicable Line Items - Despite the requirements of this Part, an investment fund may omit a line item from the financial statements for any matter that does not apply to the investment fund or for which the investment fund has nothing to disclose.

3.8 Disclosure of Securities Lending Transactions

(1) An investment fund must disclose, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to the financial statements,

   (a) the aggregate dollar value of portfolio securities that were lent in the securities lending transactions of the investment fund that are outstanding as at the date of the financial statements; and

   (b) the type and aggregate amount of collateral received by the investment fund under securities lending transactions of the investment fund that are outstanding as at the date of the financial statements.

(2) The statement of net assets of an investment fund that has received cash collateral from a securities lending transaction that is outstanding as of the date of the financial statements must disclose separately

   (a) the cash collateral received by the investment fund; and

   (b) the obligation to repay the cash collateral.

(3) The statement of operations of an investment fund must disclose income from a securities lending transaction as revenue.

3.9 Disclosure of Repurchase Transactions

(1) An investment fund, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to that statement, must, for a repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose

(a) the date of the transaction;

(b) the expiration date of the transaction;

(c) the nature and current value of the portfolio securities sold by the investment fund;

(d) the amount of cash received and the repurchase price to be paid by the investment fund; and

(e) the current value of the sold portfolio securities as at the date of the statement.

(2) The statement of net assets of an investment fund that has entered into a repurchase transaction that is outstanding as of the date of the statement of net assets must disclose separately the obligation of the investment fund to repay the collateral.

(3) The statement of operations of an investment fund must disclose income from the use of the cash received on a repurchase transaction as revenue.

(4) The information required by this section may be presented on an aggregate basis.

3.10 Disclosure of Reverse Repurchase Transactions

(1) An investment fund, in the statement of investment portfolio or in the notes to that statement, must, for a reverse repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose

(a) the date of the transaction;

(b) the expiration date of the transaction;

(c) the total dollar amount paid by the investment fund;

(d) the nature and current value or principal amount of the portfolio securities received by the investment fund; and

(e) the current value of the purchased portfolio securities as at the date of the statement.

(2) The statement of net assets of an investment fund that has entered into a reverse repurchase transaction that is outstanding as of the date of the financial statements must disclose separately the reverse repurchase agreement relating to the transaction at current value.

(3) The statement of operations of an investment fund must disclose income from a reverse repurchase transaction as revenue.

(4) The information required by this section may be presented on an aggregate basis.

3.11 Scholarship Plans

(1) In addition to the requirements of this Part, an investment fund that is a scholarship plan must disclose, as of the end of its most recently completed financial year, a separate statement or schedule to the financial statements that provides

(a) a summary of education savings plans and units outstanding by year of eligibility, including

(i) disclosure of the number of units by year of eligibility for the opening units, units purchased, units forfeited and the ending units,

(ii) disclosure of the principal amounts and the accumulated income per year of eligibility, and their total balances, and

(iii) a reconciliation of the total balances of the principal amounts and the accumulated income in the statement or schedule to the statement of net assets of the scholarship plan;

(b) the total number of units outstanding; and

(c) a statement of scholarship awards paid to beneficiaries, and a reconciliation of the amount of scholarship awards paid with the statement of operations.

(2) Despite the requirements of sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the "net asset value per security" and "increase or decrease in net assets from operations per security" line items from its financial statements.

PART 4 MANAGEMENT REPORTS OF FUND PERFORMANCE

4.1 Application - This Part applies to an investment fund that is a reporting issuer.

4.2 Filing of Management Reports of Fund Performance - An investment fund, other than an investment fund that is a scholarship plan, must file an annual management report of fund performance for each financial year and an interim management report of fund performance for each interim period at the same time that it files its annual financial statements or its interim financial statements for that financial period.

4.3 Filing of Annual Management Report of Fund Performance for an Investment Fund that is a Scholarship Plan - An investment fund that is a scholarship plan must file an annual management report of fund performance for each financial year at the same time that it files its annual financial statements.

4.4 Contents of Management Reports of Fund Performance - A management report of fund performance required by this Part must

(a) be prepared in accordance with Form 81-106F1; and

(b) not incorporate by reference information from any other document that is required to be included in a management report of fund performance.

4.5 Approval of Management Reports of Fund Performance

(1) The board of directors of an investment fund that is a corporation must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.

(2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.

PART 5 DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE

5.1 Delivery of Certain Continuous Disclosure Documents

(1) In this Part, "securityholder" means a registered holder or beneficial owner of securities issued by an investment fund.

(2) Subject to section 5.2 or section 5.3, an investment fund must send to a securityholder, by the filing deadline for the document, the following:

(a) annual financial statements;

(b) interim financial statements;

(c) if required to be prepared by the investment fund, the annual management report of fund performance;

(d) if required to be prepared by the investment fund, the interim management report of fund performance.

(3) An investment fund must apply the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* when complying with this Part.

(4) Despite subsection (3), National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* does not apply to an investment fund with respect to a requirement under this Part if the investment fund has the necessary information to communicate directly with a beneficial owner of its securities.

5.2 Sending According to Standing Instructions

(1) Subsection 5.1(2) does not apply to an investment fund that requests standing instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.

(2) An investment fund relying on subsection 5.2(1) must send, to each securityholder, a document that

(a) explains the choices a securityholder has to receive the documents listed in subsection 5.1(2);

(b) solicits instructions from the securityholder about delivery of those documents; and

(c) explains that the instructions provided by the securityholder will continue to be followed by the investment fund until they are changed by the securityholder.

(3) If a person or company becomes a securityholder of an investment fund, the investment fund must solicit instructions in accordance with subsection (2) from the securityholder as soon as reasonably practicable after the investment fund accepts a purchase order from the securityholder.

(4) An investment fund must rely on instructions given under this section until a securityholder changes them.

(5) At least once a year, an investment fund must send each securityholder a reminder that

(a) the securityholder is entitled to receive the documents listed in subsection 5.1(2);

(b) the investment fund is relying on delivery instructions provided by the securityholder;

(c) explains how a securityholder can change the instructions it has given; and

(d) the securityholder can obtain the documents on the SEDAR website and on the investment fund's website, if applicable, and by contacting the investment fund.

5.3 Sending According to Annual Instructions

(1) Subsection 5.1(2) does not apply to an investment fund that requests annual instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.

(2) Subsection (1) does not apply to an investment fund that has previously relied on subsection 5.2(1).

(3) An investment fund relying on subsection 5.3(1) must send annually to each securityholder a request form the securityholder may use to instruct the investment fund as to which of the documents listed in subsection 5.1(2) the securityholder wishes to receive.

(4) The request form described in subsection (3) must be accompanied by a notice explaining that

(a) the securityholder is providing delivery instructions for the current year only; and

(b) the documents are available on the SEDAR website and on the investment fund's website, if applicable, and by contacting the investment fund.

5.4 General

(1) If a securityholder requests any of the documents listed in subsection 5.1(2), an investment fund must send a copy of the requested documents by the later of

(a) the filing deadline for the requested document; and

(b) ten calendar days after the investment fund receives the request.

(2) An investment fund must not charge a fee for sending the documents referred to in this Part and must ensure that securityholders can respond without cost to the solicitations of instructions required by this Part.

(3) Investment funds under common management may solicit one set of delivery instructions from a securityholder that will apply to all of the investment funds under common management held by that securityholder.

(4) Despite subsection 7.1(3), for the purposes of delivery to a securityholder, an investment fund may bind its management report of fund performance with the management report of fund performance for one or more other investment funds if the securityholder holds each investment fund.

5.5 Websites - An investment fund that is a reporting issuer and that has a website must post to the website any documents listed in subsection 5.1(2) no later than the date that those documents are filed.

PART 6 QUARTERLY PORTFOLIO DISCLOSURE

6.1 Application - This Part applies to an investment fund that is a reporting issuer, other than a scholarship plan or a labour sponsored or venture capital fund.

6.2 Preparation and Dissemination

(1) An investment fund must prepare quarterly portfolio disclosure that includes

(a) a summary of investment portfolio prepared in accordance with Item 5 of Part B of Form 81-106F1 as at the end of

(i) each period of at least three months that ends three or nine months before the end of a financial year of the investment fund; or

(ii) in the case of a transition year of the investment fund, each period commencing on the first day of the transition year and ending either three, nine or twelve months, if applicable, after the end of its old financial year; and

(b) the total net asset value of the investment fund as at the end of the periods specified in (a)(i) or (ii).

(2) An investment fund that has a website must post to the website the quarterly portfolio disclosure within 60 days of the end of the period for which the quarterly portfolio disclosure was prepared.

(3) An investment fund must promptly send the most recent quarterly portfolio disclosure, without charge, to any securityholder of the investment fund, upon a request made by the securityholder 60 days after the end of the period to which the quarterly portfolio disclosure pertains.

PART 7 BINDING AND PRESENTATION

7.1 Binding of Financial Statements and Management Reports of Fund Performance

(1) An investment fund must not bind its financial statements with the financial statements of another investment fund in a document unless all information relating to the investment fund is presented together and not intermingled with information relating to the other investment fund.

(2) Despite subsection (1), if a document contains the financial statements of more than one investment fund, the notes to the financial statements may be combined and presented in a separate part of the document.

(3) An investment fund must not bind its management report of fund performance with the management report of fund performance for another investment fund.

7.2 Multiple Class Investment Funds

(1) An investment fund that has more than one class or series of securities outstanding that are referable to a single portfolio must prepare financial statements and management reports of fund performance that contain information concerning all of the classes or series.

(2) If an investment fund has more than one class or series of securities outstanding, the distinctions between the classes or series must be disclosed in the financial statements and management reports of fund performance.

PART 8 INDEPENDENT VALUATIONS FOR LABOUR SPONSORED OR VENTURE CAPITAL FUNDS

8.1 Application - This Part applies to a labour sponsored or venture capital fund that is a reporting issuer.

8.2 Exemption from Requirement to Disclose Individual Current Values for Venture Investments - Despite item 5 of subsection 3.5(1), a labour sponsored or venture capital fund is exempt from the requirement to present separately in a statement of investment portfolio the current value of each venture investment that does not have a market value if

(a) the labour sponsored or venture capital fund discloses in the statement of investment portfolio

(i) the cost amounts for each venture investment,

(ii) the total cost of the venture investments,

(iii) the total adjustment from cost to current value of the venture investments, and

(iv) the total current value of the venture investments;

(b) the labour sponsored or venture capital fund discloses in the statement of investment portfolio tables showing the distribution of venture investments by stage of development and by industry classification including

(i) the number of venture investments in each stage of development and industry class,

(ii) the total cost and aggregate current value of the venture investments for each stage of development and industry class, and

(iii) the total cost and aggregate current value of venture investments for each stage of development and industry class as a percentage of total venture investments;

(c) for a statement of investment portfolio contained in annual financial statements, the labour sponsored or venture capital fund has obtained an independent valuation relating to the value of the venture investments or to the net asset value of the fund and has filed the independent valuation concurrently with the filing of the annual financial statements;

(d) for a statement of investment portfolio contained in interim financial statements, the labour sponsored or venture capital fund obtained and filed the independent valuation referred to in paragraph (c) in connection with the preparation of the most recent annual financial statements of the labour sponsored or venture capital fund; and

(e) the labour sponsored or venture capital fund has disclosed in the applicable financial statements that an independent valuation has been obtained as of the end of the applicable financial year.

8.3 Disclosure Concerning Independent Valuator - A labour sponsored or venture capital fund that obtains an independent valuation must include, in the statement of investment portfolio contained in its annual financial statements, or in the notes to the annual financial statements,

(a) a description of the independent valuator's qualifications, and

(b) a description of any past, present or anticipated relationship between the independent valuator and the labour sponsored or venture capital fund, its manager or portfolio adviser.

8.4 Content of Independent Valuation - An independent valuation must provide the aggregate current value of the venture investments or the net asset value of the labour sponsored or venture capital fund as at the fund's financial year end.

8.5 Independent Valuator's Consent - A labour sponsored or venture capital fund obtaining an independent valuation must

(a) obtain the independent valuator's consent to its filing; and

(b) include a statement in the valuation report, signed by the independent valuator, in substantially the following form:

"We refer to the independent valuation of the [net assets/venture investments] of [name of labour sponsored or venture capital fund] as of [date of financial year end] dated *. We consent to the filing of the independent valuation with the securities regulatory authorities."

PART 9 ANNUAL INFORMATION FORM

9.1 Application - This Part applies to an investment fund that is a reporting issuer.

9.2 Requirement to File Annual Information Form - An investment fund must file an annual information form if the investment fund does not have a current prospectus as at its financial year end.

9.3 Filing Deadline for Annual Information Form - An investment fund required under section 9.2 to file an annual information form must file the annual information form no later than 90 days after the end of its most recently completed financial year.

9.4 Preparation and Content of Annual Information Form

(1) An annual information form required to be filed under section 9.2 must be prepared as of the end of the most recently completed financial year of the investment fund to which it pertains.

(2) An annual information form required to be filed must be prepared in accordance with Form 81-101F2, except that

(a) a reference to "mutual fund" must be read as a reference to "investment fund";

(b) General Instructions (3), (10) and (14) of Form 81-101F2 do not apply;

(c) subsections (3), (4) and (6) of Item 1.1 of Form 81-101F2 do not apply;

(d) subsections (3), (4) and (6) of Item 1.2 of Form 81-101F2 do not apply;

(e) Item 5 of Form 81-101F2 must be completed in connection with all of the securities of the investment fund;

(f) Item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation; and

(g) Items 19, 20, 21 and 22 of Form 81-101F2 do not apply.

(3) An investment fund required to file an annual information form must at the same time file copies of all material incorporated by reference in the annual information form that it has not previously filed.

PART 10 PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

10.1 Application – This Part applies to an investment fund that is a reporting issuer.

10.2 Requirement to Establish Policies and Procedures

(1) An investment fund must establish policies and procedures that it will follow to determine whether, and how, to vote on any matter for which the investment fund receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer.

(2) The policies and procedures referred to in subsection (1) must include

(a) a standing policy for dealing with routine matters on which the investment fund may vote;

(b) the circumstances under which the investment fund will deviate from the standing policy for routine matters;

(c) the policies under which, and the procedures by which, the investment fund will determine how to vote or refrain from voting on non-routine matters; and

(d) procedures to ensure that portfolio securities held by the investment fund are voted in accordance with the instructions of the investment fund.

(3) An investment fund that has not prepared an annual information form in accordance with Part 9 or in accordance with National Instrument 81-101 Mutual Fund Prospectus Disclosure must include a summary of the policies and procedures required by this section in its prospectus.

10.3 Proxy Voting Record - An investment fund must maintain a proxy voting record that includes, for each time that the investment fund receives, in its capacity as securityholder, materials relating to a meeting of securityholders of a reporting issuer,

(a) the name of the issuer;

(b) the exchange ticker symbol of the portfolio securities, unless not readily available to the investment fund;

(c) the CUSIP number for the portfolio securities;

(d) the meeting date;

(e) a brief identification of the matter or matters to be voted on at the meeting;

(f) whether the matter or matters voted on were proposed by the issuer, its management or another person or company;

(g) whether the investment fund voted on the matter or matters;

(h) if applicable, how the investment fund voted on the matter or matters; and

(i) whether votes cast by the investment fund were for or against the recommendations of management of the issuer.

10.4 Preparation and Availability of Proxy Voting Record

(1) An investment fund must prepare a proxy voting record on an annual basis for the period ending on June 30 of each year.

(2) An investment fund that has a website must post the proxy voting record to the website no later than August 31 of each year.

(3) An investment fund must promptly send the most recent copy of the investment fund's proxy voting policies and procedures and proxy voting record, without charge, to any securityholder upon a request made by the securityholder after August 31.

PART 11 MATERIAL CHANGE REPORTS

11.1 Application - This Part applies to an investment fund that is a reporting issuer.

11.2 Publication of Material Change

(1) If a material change occurs in the affairs of an investment fund, the investment fund must

(a) promptly issue and file a news release that is authorized by an executive officer of the manager of the investment fund and that discloses the nature and substance of the material change;

(b) post all disclosure made under paragraph (a) on the website of the investment fund or the investment fund manager;

(c) as soon as practicable, but in any event no later than 10 days after the date on which the change occurs, file a report containing the information required by Form 51-102F3, except that a reference in Form 51-102F3 to

(i) the term “material change” must be read as “material change” under this Instrument;

(ii) “section 7.1 of National Instrument 51-102” in Item 3 of Part 2 must be read as a reference to “section 11.2 of National Instrument 81-106”;

(iii) “subsection 7.1(2) or (3) of National Instrument 51-102” in Item 6 of Part 2 must be read as a reference to “subsection 11.2(2) or (3) of National Instrument 81-106”;

(iv) “subsection 7.1(5) of National Instrument 51-102” in Items 6 and 7 of Part 2 must be read as a reference to “subsection 11.2(4) of National Instrument 81-106”; and

(v) “executive officer of your company” in Item 8 of Part 2 must be read as a reference to “officer of the investment fund or of the manager of the investment fund”; and

(d) file an amendment to its prospectus or simplified prospectus that discloses the material change in accordance with the requirements of securities legislation.

(2) If

(a) in the opinion of the board of directors or trustee of an investment fund or the manager, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsection (1) would be unduly detrimental to the investment fund’s interest; or

(b) the material change

(i) consists of a decision to implement a change made by senior management of the investment fund or senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors or persons acting in a similar capacity is probable; and

(ii) senior management of the investment fund or senior management of the manager of the investment fund has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the investment fund,

the investment fund may, instead of complying with subsection (1), immediately file the report required under paragraph (1)(c) marked to indicate that it is confidential, together with written reasons for non-disclosure.

(3) Subsection (1) does not apply to an investment fund in Québec if

(a) senior management of the investment fund has reasonable grounds to believe that disclosure as required by subsection (1) would be seriously prejudicial to the interests of the investment fund and that no transaction in securities of the investment fund has been or will be carried out on the basis of the information not generally known;

(b) the investment fund immediately files the report required under paragraph (1)(c) marked so as to indicate that it is confidential, together with written reasons for non-disclosure; and

(c) the investment fund complies with subsection (1) when the circumstances that justify non-disclosure cease to exist.

(4) If a report has been filed under subsection (2), the investment fund must advise the regulator or securities regulatory authority in writing within ten days of the initial filing of the report if it believes the report should continue to remain confidential and every 10 days thereafter until the material change is generally disclosed in the manner referred to in subsection (1) or, if the material change consists of a decision of the type referred to in paragraph (2)(b), until that decision has been rejected by the board of directors of the investment fund or the board of directors of the manager of the investment fund.

(5) Despite filing a report under subsection (2), an investment fund must promptly and generally disclose the material change in the manner referred to in subsection (1) upon the investment fund becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the investment fund with knowledge of the material change that has not been generally disclosed.

PART 12 PROXY SOLICITATION AND INFORMATION CIRCULARS

12.1 Application - This Part applies to an investment fund that is a reporting issuer.

12.2 Sending of Proxies and Information Circulars

(1) If management of an investment fund or the manager of an investment fund gives or intends to give notice of a meeting to registered holders of the investment fund, management or the manager must, at the same time as or before giving that notice, send to each registered holder who is entitled to notice of the meeting a form of proxy for use at the meeting.

(2) A person or company that solicits proxies from registered holders of an investment fund must

(a) in the case of a solicitation by or on behalf of management of the investment fund, send with the notice of meeting to each registered holder whose proxy is solicited a completed Form 51-102F5; or

(b) in the case of a solicitation by or on behalf of any person or company other than management of the investment fund, at the same time as or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each registered holder whose proxy is solicited.

(3) In Québec, subsections (1) and (2) apply, adapted as required, to a meeting of holders of debt securities of an investment fund that is a reporting issuer in Québec, whether called by management of the investment fund or by the trustee of the debt securities.

12.3 Exemption

(1) Subsection 12.2(2) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(2) Paragraph 12.2(2)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.

(3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

12.4 Compliance with National Instrument 51-102 - A person or company that solicits proxies under section 12.2 must comply with sections 9.3 and 9.4 of National Instrument 51-102 as if those sections applied to the person or company.

PART 13 CHANGE OF AUDITOR DISCLOSURE

13.1 Application - This Part applies to an investment fund that is a reporting issuer.

13.2 Change of Auditor - Section 4.11 of National Instrument 51-102 applies to an investment fund that changes its auditor, except that references in that section to the “board of directors” are to be read as references to,

(a) if the investment fund is a corporation, the "board of directors of the investment fund", or

(b) if the investment fund is a trust, the "trustee or trustees or another person or company authorized by the constating documents of the investment fund".

PART 14 CALCULATION OF NET ASSET VALUE

14.1 Application - This Part applies to an investment fund that is a reporting issuer.

14.2 Calculation, Frequency and Currency

(1) The net asset value of an investment fund must be calculated in accordance with Canadian GAAP.

(2) Despite subsection (1), for the purposes of calculating net asset value for purchases and redemptions of its securities as required by Parts 9 and 10 of National Instrument 81-102 Mutual Funds, a labour sponsored or venture capital fund that has included a deferred charge for sales commissions in the calculation may continue to do so, provided that

(a) the calculation reflects the amortization of this deferred charge over the remaining amortization period, and

(b) the labour sponsored or venture capital fund ceased adding to this deferred charge by December 31, 2003.

(3) The net asset value of an investment fund must be calculated,

(a) if the investment fund does not use specified derivatives, at least once in each week; or

(b) if the investment fund uses specified derivatives, at least once every business day.

(4) A mutual fund that holds securities of other mutual funds must have dates for the calculation of net asset value that are compatible with those of the other mutual funds.

(5) Despite subsection (3), an investment fund that, at the date that this Instrument comes into force, calculates net asset value no less frequently than once a month may continue to calculate net asset value at least as frequently as it does at that date.

(6) The net asset value of an investment fund must be calculated in the currency of Canada or in the currency of the United States of America or both.

(7) An investment fund that arranges for the publication of its net asset value in the financial press must ensure that its current net asset value is provided on a timely basis to the financial press.

14.3 Portfolio Transactions - The net asset value of an investment fund must include each purchase or sale of a portfolio asset no later than in the next calculation of the net asset value after the date the purchase or sale becomes binding.

14.4 Capital Transactions - The investment fund must include each issue or redemption of a security of the investment fund in the next calculation of net asset value the investment fund makes after the calculation of net asset value used to establish the issue or redemption price.

PART 15 CALCULATION OF MANAGEMENT EXPENSE RATIO

15.1 Calculation of Management Expense Ratio

(1) An investment fund may disclose its management expense ratio only if the management expense ratio is calculated for the financial year or interim period of the investment fund and if it is calculated by

(a) dividing

(i) the aggregate of

(A) total expenses of the investment fund, before income taxes, for the financial year or interim period, as shown on its statement of operations; and

(B) any other fee, charge or expense of the investment fund that has the effect of reducing the investment fund's net asset value;

by

(ii) the average net asset value of the investment fund for the financial year or interim period, obtained by

(A) adding together the net asset values of the investment fund as at the close of business of the investment fund on each day during the financial year or interim period on which the net asset value of the investment fund has been calculated, and

(B) dividing the amount obtained under clause (A) by the number of days during the financial year or interim period on which the net asset value of the investment fund has been calculated; and

(b) multiplying the result obtained under paragraph (a) by 100.

(2) If any fees and expenses otherwise payable by an investment fund in a financial year or interim period were waived or otherwise absorbed by a member of the organization of the investment fund, the investment fund must disclose, in a note to the disclosure of its management expense ratio, details of

(a) what the management expense ratio would have been without any waivers or absorptions;

(b) the length of time that the waiver or absorption is expected to continue;

(c) whether the waiver or absorption can be terminated at any time by the member of the organization of the investment fund; and

(d) any other arrangements concerning the waiver or absorption.

(3) Investment fund expenses rebated by a manager or an investment fund to a securityholder must not be deducted from total expenses of the investment fund in determining the management expense ratio of the investment fund.

(4) An investment fund that has separate classes or series of securities must calculate a management expense ratio for each class or series, in the manner required by this section, modified as appropriate.

(5) The management expense ratio of an investment fund for a financial period of less than or greater than twelve months must be annualized.

(6) If an investment fund provides its management expense ratio to a service provider that will arrange for public dissemination of the management expense ratio,

(a) the investment fund must provide the management expense ratio calculated in accordance with this Part; and

(b) the requirement to provide note disclosure contained in subsection (2) does not apply if the investment fund indicates, as applicable, that fees have been waived, expenses have been absorbed, or that fees or expenses were paid directly by investors during the period for which the management expense ratio was calculated.

15.2 Fund of Funds Calculation

(1) For the purposes of subparagraph 15.1(1)(a)(i), the total expenses for a financial year or interim period of an investment fund that invests in securities of other investment funds is equal to the sum of

(a) the total expenses incurred by the investment fund that are for the period for which the calculation of the management expense ratio is made and that are attributable to its investment in each underlying investment fund, as calculated by

(i) multiplying the total expenses of each underlying investment fund before income taxes for the financial year or interim period, by

(ii) the average proportion of securities of the underlying investment fund held by the investment fund during the financial year or interim period, calculated by

(A) adding together the proportion of securities of the underlying investment fund held by the investment fund on each day in the period, and

(B) dividing the amount obtained under clause (A) by the number of days in the period; and

(b) the total expenses of the investment fund, before income taxes, for the period.

(2) An investment fund that has exposure to one or more other investment funds through the use of derivatives in a financial year or interim period must calculate its management expense ratio for the financial year or interim period in the manner described in subsection (1), treating each investment fund to which it has exposure as an "underlying investment fund" under subsection (1).

(3) Subsection (2) does not apply if the derivatives do not expose the investment fund to expenses that would be incurred by a direct investment in the relevant investment funds.

(4) Management fees rebated by an underlying fund to an investment fund that invests in the underlying fund must be deducted from total expenses of the underlying fund if the rebate is made for the purpose of avoiding duplication of fees between the two investment funds.

PART 16 ADDITIONAL FILING REQUIREMENTS

16.1 Application - This Part applies to an investment fund that is a reporting issuer.

16.2 Additional Filing Requirements - If an investment fund sends to its securityholders any disclosure document other than those required by this Instrument, the investment fund must file a copy of the document on the same date as, or as soon as practicable after, the date on which the document is sent to its securityholders.

16.3 Voting Results - An investment fund must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon

(a) a brief description of the matter voted upon and the outcome of the vote; and

(b) if the vote was conducted by ballot, the number and percentage of votes cast, which includes votes cast in person and by proxy, for, against, or withheld from, each vote.

16.4 Filing of Material Contracts - An investment fund that is not subject to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, or securities legislation that imposes a similar requirement, must file a copy of any material contract of the investment fund not previously filed, or any amendment to any material contract of the investment fund not previously filed

(a) with the final prospectus of the investment fund; or

(b) upon the execution of the material contract or amendment.

PART 17 EXEMPTIONS

17.1 Exemption

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

(2) Despite subsection (1), in Ontario only the regulator may grant an exemption from any part of this Instrument.

PART 18 EFFECTIVE DATE AND TRANSITION

18.1 Effective Date - This Instrument comes into force on June 1, 2005.

18.2 Transition - Despite section 18.1, this Instrument applies to

(a) annual financial statements and annual management reports of fund performance for financial years that end on or after June 30, 2005;

(b) for investment funds in existence on June 1, 2005, interim financial statements and interim management reports of fund performance for interim periods that end after the financial years determined in paragraph (a);

(c) quarterly portfolio disclosure for periods that end on or after June 1, 2005;

(d) annual information forms for financial years ending on or after June 30, 2005;

(e) proxy voting records for the annual period beginning July 1, 2005; and

(f) proxy solicitation and information circulars from and after July 1, 2005.

18.3 Filing of Financial Statements and Management Reports of Fund Performance - Despite section 2.2 and section 4.2, the first annual financial statements and the first annual management report of fund performance that are required to be prepared in accordance with this Instrument must be filed on or before the 120th day after the end of the financial year of the investment fund to which they pertain.

18.4 Filing of Annual Information Form - Despite section 9.3, the first annual information form to be prepared under this Instrument must be filed on or before the 120th day after the end of the financial year of the investment fund to which it pertains.

18.5 Initial Delivery of Annual Management Report of Fund Performance - Despite Part 5, an investment fund must send to each securityholder, by the filing deadline, its first annual management report of fund performance with an explanation of the new continuous disclosure requirements, including the availability of quarterly portfolio disclosure and proxy voting disclosure.

18.6 Existing Exemptions

(1) An investment fund that has obtained an exemption or waiver from, or approval under, securities legislation, National Policy 39, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, National Instrument 81-102 *Mutual Funds*, National Instrument 81-104 *Commodity Pools* or National Instrument 81-105 *Mutual Fund Sales Practices* relating to its continuous disclosure obligations is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval, unless the regulator or securities regulatory authority has revoked that exemption, waiver or approval under authority provided to it in securities legislation.

(2) An investment fund must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of

(a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and

(b) the provision in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

FORM 81-106F1
CONTENTS OF ANNUAL AND INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FORM 81-106F1
CONTENTS OF ANNUAL AND INTERIM MANAGEMENT REPORTOF FUND PERFORMANCE

PART A INSTRUCTIONS AND INTERPRETATION

Item 1 General

(a) The Form

The Form describes the disclosure required in an annual or interim management report of fund performance (MRFP) of an investment fund. Each item of the Form outlines disclosure or format requirements. Instructions to help you comply with these requirements are printed in italic type.

(b) Plain Language

An MRFP must state the required information concisely and in plain language (as defined in National Instrument 81-101 *Mutual Fund Prospectus Disclosure*). Refer to Part 1 of Companion Policy 81-106CP for a discussion concerning plain language and presentation.

When preparing an MRFP, respond as simply and directly as is reasonably possible and include only as much information as is necessary for readers to understand the matters for which you are providing disclosure.

(c) Format

Present the MRFP in a format that assists readability and comprehension. The Form generally does not mandate the use of a specific format to achieve these goals, except in the case of disclosure of financial highlights and past performance as required by Items 3 and 4 of each of Parts B and C of the Form; that disclosure must be presented in the format specified in the Form.

An MRFP must use the headings and sub-headings shown in the Form. Within this framework, investment funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely. Disclosure provided in response to any item does not need to be repeated elsewhere. The interim MRFP must use the same headings as used in the annual MRFP.

The Form does not prohibit including information beyond what the Form requires. An investment fund may include artwork and educational material (as defined in National Instrument 81-101 *Mutual Fund Prospectus Disclosure*) in its annual and interim MRFP. However, an investment fund must take reasonable care to ensure that including such material does not obscure the required information and does not lengthen the MRFP excessively.

(d) Focus on Material Information

You do not need to disclose information that is not material. You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

(e) What is Material?

Would a reasonable investor's decision to buy, sell or hold securities of an investment fund likely be influenced or changed if the information in question was omitted or misstated? If so, the information is material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook. In determining whether information is material, take into account both quantitative and qualitative factors.

Item 2 Management Discussion of Fund Performance

The management discussion of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. The discussion is the equivalent to the corporate management discussion and analysis (MD&A) with specific modifications for investment funds. It provides the manager of an investment fund with the opportunity to discuss the investment fund's position and financial results for the relevant period. The discussion is intended to give a reader the ability to look at the investment fund through the eyes of management by providing both a historical and prospective analysis of the investment activities and operations of the investment fund. Coupled with the financial highlights, this information should enable readers to better assess the investment fund's performance and future prospects.

Focus the management discussion on material information about the performance of the investment fund, with particular emphasis on known material trends, commitments, events, risks or uncertainties that the manager reasonably expects to have a material effect on the investment fund's future performance or investment activities.

The description of the disclosure requirements is intentionally general. This Form contains a minimum number of specific instructions in order to allow, as well as encourage, investment funds to discuss their activities in the most appropriate manner and to tailor their comments to their individual circumstances.

PART B CONTENT REQUIREMENTS FOR ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Item 1 First Page Disclosure

The first page of an annual MRFP must contain disclosure in substantially the following words:

"This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure."

INSTRUCTION:

If the MRFP is bound with the financial statements of the investment fund, modify the first page wording appropriately.

Item 2 Management Discussion of Fund Performance

2.1 Investment Objective and Strategies

Disclose under the heading "Investment Objective and Strategies" a brief summary of the fundamental investment objective and strategies of the investment fund.

INSTRUCTION:

Disclosing the fundamental investment objective provides investors with a reference point for assessing the information contained in the MRFP. It must be a concise summary of the fundamental investment objective and strategies of the investment fund, and not merely copied from the prospectus.

2.2 Risk

Disclose under the heading "Risk" a discussion of how changes to the investment fund over the financial year affected the overall level of risk associated with an investment in the investment fund.

INSTRUCTION:

Ensure that the discussion is not merely a repeat of information contained in the prospectus of the investment fund, but rather a discussion that reflects any changes in risk level of the investment fund over the financial year.

Consider how the changes in the risks associated with an investment in the investment fund affect the suitability or investor risk tolerance stated in the prospectus or offering document. All investment funds should refer to Items 9 and 10 of Part B of Form 81-101F1 as if those sections applied to them.

2.3 Results of Operations

(1) Under the heading "Results of Operations" provide a summary of the results of operations of the investment fund for the financial year to which the MDFP pertains, including a discussion of

(a) any material changes in investments in specific portfolio assets and overall asset mix from the previous period;

(b) how the composition and changes to the composition of the investment portfolio relate to the investment fund's fundamental investment objective and strategies or to changes in the economy, markets or unusual events;

(c) unusual trends in redemptions or sales and the effect of these on the investment fund;

(d) significant components and changes to the components of revenue and expenses;

(e) risks, events, trends and commitments that had a material effect on past performance; and

(f) unusual or infrequent events or transactions, economic changes and market conditions that affected performance.

(2) An investment fund that borrows money, other than immaterial operating overdrafts, must disclose,

(a) the minimum and maximum amount borrowed during the period;

(b) the percentage of net assets of the investment fund that the borrowing represented as of the end of the period;

(c) how the borrowed money was used; and

(d) the terms of the borrowing arrangements.

INSTRUCTION:

Explain the nature of and reasons for changes in your investment fund's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand the significant factors that have affected the performance of the investment fund.

2.4 Recent Developments

Under the heading "Recent Developments" discuss the developments affecting the investment fund, including

(a) known changes to the strategic position of the investment fund;

(b) known material trends, commitments, events or uncertainties that might reasonably be expected to affect the investment fund;

(c) changes to the manager or portfolio adviser, or change of control of the manager, of the investment fund;

(d) the effects of any actual or planned reorganizations, mergers or similar transactions; and

(e) the estimated effects of changes in accounting policies adopted subsequent to year end.

INSTRUCTION:

(1) Preparing the management discussion necessarily involves some degree of prediction or projection. The discussion must describe anticipated events, decisions, circumstances, opportunities and risks that management considers reasonably likely to materially impact performance. It must also describe management's vision, strategy and targets.

(2) There is no requirement to provide forward-looking information. If any forward-looking information is provided, it must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, your material assumptions and appropriate risk disclosure and cautionary language. You must also discuss any forward-looking information disclosed for a prior period which, in light of intervening events and absent further explanations, may be misleading.

2.5 Related Party Transactions

Under the heading "Related Party Transactions" discuss any transactions involving related parties to the investment fund.

NSTRUCTIONS:

(1) In determining who is a related party, investment funds should look to the Handbook. In addition, related parties include the manager and portfolio adviser (or their affiliates) and a broker or dealer related to any of the investment fund, its manager or portfolio adviser.

(2) When discussing related party transactions, include the identity of the related party, the relationship to the investment fund, the purpose of the transaction, the measurement basis used to determine the recorded amount and any ongoing commitments to the related party.

(3) Related party transactions include portfolio transactions with related parties of the investment fund. When discussing these transactions, include the dollar amount of commission, spread or any other fee that the investment fund paid to any related party in connection with a portfolio transaction.

Item 3 Financial Highlights

3.1 Financial Highlights

(1) Provide selected financial highlights for the investment fund under the heading "Financial Highlights" in the form of the following tables, appropriately completed, and introduced using the following words:

"The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past [insert number] years. This information is derived from the Fund's audited annual financial statements."

The Fund's Net Asset Value (NAV) per [Unit/Share]

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Net Asset Value, beginning of year	$	$	$	$	$
Increase (decrease) from operations:					
total revenue	$	$	$	$	$
total expenses	$	$	$	$	$
realized gains (losses) for the period	$	$	$	$	$
unrealized gains (losses) for the period	$	$	$	$	$
Total increase (decrease) from operations [(1)]	$	$	$	$	$
Distributions:					
From income (excluding dividends)	$	$	$	$	$
From dividends	$	$	$	$	$
From capital gains	$	$	$	$	$
Return of capital	$	$	$	$	$
Total Annual Distributions[(2)]	$	$	$	$	$
Net asset value at [insert last day of financial year] of year shown	$	$	$	$	$

(1) *Net asset value and distributions are based on the actual number of [units/shares] outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of [units/shares] outstanding over the financial period.*

(2) *Distributions were [paid in cash/reinvested in additional [units/shares] of the Fund], or both.*

Ratios and Supplemental Data

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Net assets (000's)[(1)]	$	$	$	$	$
Number of [units/shares] outstanding[(1)]					
Management expense ratio[(2)]	%	%	%	%	%
Management expense ratio before waivers or absorptions	%	%	%	%	%
Portfolio turnover rate[(3)]	%	%	%	%	%
Trading expense ratio[(4)]	%	%	%	%	%
Closing market price or pricing NAV, [if applicable]	$	$	$	$	$

(1) *This information is provided as at [insert date of end of financial year] of the year shown.*

(2) *Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.*

(3) *The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.*

(4) *The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.*

(2) Derive the selected financial information from the audited annual financial statements of the investment fund.

(3) Modify the table appropriately for corporate investment funds.

(4) Show the financial highlights individually for each class or series, if a multi-class fund.

(5) Provide per unit or per share amounts to the nearest cent, and provide percentage amounts to two decimal places.

(6) Except for net asset value and distributions, calculate per unit/share values on the basis of the weighted average number of unit/shares outstanding over the financial period.

(7) Provide the selected financial information required by this Item in chronological order for each of the five most recently completed financial years of the investment fund for which audited financial statements have been filed, with the information for the most recent financial year in the first column on the left of the table.

(8) If the investment fund has merged with another investment fund, include in the table only the financial information of the continuing investment fund.

(9) Calculate the management expense ratio of the investment fund as required by Part 15 of the Instrument. Include a brief description of the method of calculating the management expense ratio in a note to the table.

(10) If the investment fund,

(a) changed, or proposes to change, the basis of the calculation of the management fees or of the other fees, charges or expenses that are charged to the investment fund; or

(b) introduces or proposes to introduce a new fee,

and if the change would have had an effect on the management expense ratio for the last completed financial year of the investment fund if the change had been in effect throughout that financial year, disclose the effect of the change on the management expense ratio in a note to the "Ratios and Supplemental Data" table.

(11) Do not include disclosure concerning portfolio turnover rate for a money market fund.

(12) Calculate the trading expense ratio by dividing

(i) the total commissions and other portfolio transaction costs disclosed in the notes to the financial statements; by

(ii) the same denominator used to calculate the management expense ratio.

(13) Provide the closing market price only if the investment fund is traded on an exchange. If the investment fund is a labour sponsored or venture capital fund provide the pricing NAV per security if different than the NAV for accounting purposes.

INSTRUCTIONS:

(1) Calculate the investment fund's portfolio turnover rate by dividing the lesser of the amounts of the cost of purchases and proceeds of sales of portfolio securities for the financial year by the average of the value of the portfolio securities owned by the investment fund in the financial year. Calculate the monthly average by totalling the values of portfolio securities as at the beginning and end of the first month of the financial year and as at the end of each of the succeeding 11 months and dividing the sum by 13. Exclude from both numerator and denominator amounts relating to all portfolio securities having a remaining term to maturity on the date of acquisition by the investment fund of one year or less.

(2) Further to instruction (1), include:

(a) proceeds from a short sale in the value of the portfolio securities sold during the period;

(b) the cost of covering a short sale in the value of portfolio securities purchased during the period;

(c) premiums paid to purchase options in the value of portfolio securities purchased during the period; and

(d) premiums received from the sale of options in the value of the portfolio securities sold during the period.

(3) If the investment fund acquired the assets of another investment fund in exchange for its own shares during the financial year in a purchase-of-assets transaction, exclude from the calculation of portfolio turnover rate the value of securities acquired and sold to realign the fund's portfolio. Adjust the denominator of the portfolio turnover computation to reflect these excluded purchases and sales and disclose them in a footnote.

3.2 Scholarship Plans

An investment fund that is a scholarship plan must comply with Item 3.1, except that the following table must replace "The Fund's Net Asset Value per [Unit/Share]" table and the "Ratios and Supplemental Data" table.

Financial & Operating Highlights (with comparative figures)

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Balance Sheet					
Total Assets	$	$	$	$	$
Net Assets	$	$	$	$	$
% change of Net Assets	%	%	%	%	%
Statement of Operations					
Scholarship Awards	$	$	$	$	$
Canadian Education Savings Grant	$	$	$	$	$
Net investment income	$	$	$	$	$
Other					
Total number of [agreements/units] in plans					
% change in the total number of agreements	%	%	%	%	%

3.3 Management Fees

Disclose the basis for calculating the management fees paid by the investment fund and a breakdown of the services received in consideration of the management fees, as a percentage of management fees.

INSTRUCTION:

The disclosure must list the major services paid for out of the management fees, including portfolio adviser compensation, trailing commissions and sales commissions, if applicable.

Item 4 Past Performance

4.1 General

(1) In responding to the requirements of this Item, an investment fund must comply with sections 15.2, 15.3, 15.9, 15.10, 15.11 and 15.14 of National Instrument 81-102 *Mutual Funds* as if those sections applied to the annual MRFP.

(2) Despite the specific requirements of this Item, do not provide performance data for any period if the investment fund was not a reporting issuer at all times during the period.

(3) Set out in footnotes to the chart or table required by this Item the assumptions relevant to the calculation of the performance information, and include a statement of the significance of the assumption that distributions are reinvested for taxable investments.

(4) In a general introduction to the "Past Performance" section, indicate, as applicable, that

(a) the performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund;

(b) the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and

(c) how the investment fund has performed in the past does not necessarily indicate how it will perform in the future.

(5) Use a linear scale for each axis of the bar chart required by this Item.

(6) The x-axis must intersect the y-axis at 0 for the "Year-by-Year Returns" bar chart.

4.2 Year-by-Year Returns

(1) Provide a bar chart, under the heading "Past Performance" and under the sub-heading "Year-by-Year Returns", that shows, in chronological order with the most recent year on the right of the bar chart, the annual total return of the investment fund for the lesser of

(a) each of the ten most recently completed financial years; and

(b) each of the completed financial years in which the investment fund has been in existence and which the investment fund was a reporting issuer.

(2) Provide an introduction to the bar chart that

(a) indicates that the bar chart shows the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance has changed from year to year; and

(b) indicates that the bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

(3) If the investment fund holds short portfolio positions, show separately the annual total return for both the long portfolio positions and the short portfolio positions in addition to the overall total return.

4.3 Annual Compound Returns

(1) If the investment fund is not a money market fund, disclose, in the form of a table, under the sub-heading "Annual Compound Returns"

(a) the investment fund's past performance for the ten, five, three and one year periods ended on the last day of the investment fund's financial year; or

(b) if the investment fund was a reporting issuer for more than one and less than ten years, the investment fund's past performance since the inception of the investment fund.

(2) Include in the table, for the same periods for which the annual compound returns of the investment fund are provided, the historical annual compound total returns or changes of

(a) one or more appropriate broad-based securities market indices; and

(b) at the option of the investment fund, one or more non-securities indices or narrowly-based market indices that reflect the market sectors in which the investment fund invests.

(3) Include a brief description of the broad-based securities market index (or indices) and provide a discussion of the relative performance of the investment fund as compared to that index.

(4) If the investment fund includes in the table an index that is different from the one included in the most recently filed MRFP, explain the reasons for the change and include the disclosure required by this Item for both the new and former indices.

(5) Calculate the annual compound return in accordance with the requirements of Part 15 of National Instrument 81-102.

(6) If the investment fund holds short portfolio positions, show separately the annual compound returns for both the long and the short portfolio positions in addition to the overall annual compound returns.

INSTRUCTIONS:

(1) An "appropriate broad-based securities market index" is one that

(a) is administered by an organization that is not affiliated with any of the mutual fund, its manager, portfolio adviser or principal distributor, unless the index is widely recognized and used; and

(b) has been adjusted by its administrator to reflect the reinvestment of dividends on securities in the index or interest on debt.

(2) It may be appropriate for an investment fund that invests in more than one type of security to compare its performance to more than one relevant index. For example, a balanced fund may wish to compare its performance to both a bond index and an equity index.

(3) In addition to the appropriate broad-based securities market index, the investment fund may compare its performance to other financial or narrowly-based securities indices (or a blend of indices) that reflect the market sectors in which the investment fund invests or that provide useful comparatives to the performance of the investment fund. For example, an investment fund could compare its performance to an index that measured the performance of certain sectors of the stock market (e.g. communications companies, financial sector companies, etc.) or to a non-securities index, such as the Consumer Price Index, so long as the comparison is not misleading.

4.4 Scholarship Plans

An investment fund that is a scholarship plan must comply with this Item, except that year-by-year returns and annual compound returns must be calculated based on the scholarship plan's total portfolio adjusted for cash flows.

Item 5 Summary of Investment Portfolio

(1) Include, under the heading "Summary of Investment Portfolio", a summary of the investment fund's portfolio as at the end of the financial year of the investment fund to which the annual MRFP pertains.

(2) The summary of investment portfolio

(a) must break down the entire portfolio of the investment fund into appropriate subgroups, and must show the percentage of the aggregate net asset value of the investment fund constituted by each subgroup;

(b) must disclose the top 25 positions held by the investment fund, each expressed as a percentage of net assets of the investment fund;

(c) must disclose long positions separately from short positions; and

(d) must disclose separately the total percentage of net assets represented by the long positions and by the short positions.

(3) Indicate that the summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund and a quarterly update is available.

INSTRUCTIONS:

(1) The summary of investment portfolio is designed to give the reader an easily accessible snapshot of the portfolio of the investment fund as at the end of the financial year for which the annual MRFP pertains. As with the other components of the annual MRFP, care should be taken to ensure that the information in the summary of investment portfolio is presented in an easily accessible and understandable way.

(2) The Canadian securities regulatory authorities have not prescribed the names of the categories into which the portfolio should be broken down. An investment fund should use the most appropriate categories given the nature of the fund. If appropriate, an investment fund may use more than one breakdown, for instance showing the portfolio of the investment fund broken down according to security type, industry, geographical locations, etc.

(3) Instead of a table, the disclosure required by (2)(a) of this Item may be presented in the form of a pie chart.

(4) If the investment fund owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated.

(5) Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions.

(6) Treat cash and cash equivalents as one separate discrete category.

(7) In determining its holdings for purposes of the disclosure required by this Item, an investment fund should, for each long position in a derivative that is held by the investment fund for purposes other than hedging and for each index participation unit held by the investment fund, consider that it holds directly the underlying interest of that derivative or its proportionate share of the securities held by the issuer of the index participation unit.

(8) If an investment fund invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of another fund, list only the 25 largest holdings of the other investment fund by percentage of net assets of the other investment fund, as disclosed by the other investment fund as at the most recent quarter end.

(9) If the investment fund invests in other investment funds, include a statement to the effect that the prospectus and other information about the underlying investment funds are available on the internet at www.sedar.com.

Item 6 Other Material Information

Provide any other material information relating to the investment fund not otherwise required to be disclosed by this Part, including information required to be disclosed pursuant to an order or exemption received by the investment fund.

PART C CONTENT REQUIREMENTS FOR INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

Item 1 First Page Disclosure

The first page of an interim MRFP must contain disclosure in substantially the following words:

"This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure."

INSTRUCTION:

If the MRFP is bound with the financial statements of the investment fund, modify the first page wording appropriately.

Item 2 Management Discussion of Fund Performance

2.1 Results of Operations

Update the analysis of the investment fund's results of operations provided in the most recent annual MRFP. Discuss any material changes to any of the components listed in Item 2.3 of Part B.

2.2 Recent Developments

If there have been any significant developments affecting the investment fund since the most recent annual MRFP, discuss those developments and their impact on the investment fund, in accordance with the requirements of Item 2.4 of Part B.

2.3 Related Party Transactions

Provide the disclosure required by Item 2.5 of Part B.

INSTRUCTIONS:

(1) If the first MRFP you file in this Form is not an annual MRFP, you must provide all the disclosure required by Part B, except for Items 3 and 4, in the first MRFP.

(2) The discussion in an interim MRFP is intended to update the reader on material developments since the date of the most recent annual MRFP. You may assume the reader has access to your annual MRFP, so it is not necessary to restate all of the information contained in the most recent annual discussion.

(3) The discussion in an interim MRFP should deal with the financial period to which the interim MRFP pertains.

Item 3 Financial Highlights

(1) Provide the disclosure required by Item 3.1 of Part B, with an additional column on the left of the table representing the interim period.

(2) Provide the disclosure required by Item 3.3 of Part B of the form.

INSTRUCTION:

If the distributions cannot be allocated by type at the end of the interim period, provide only total distributions by unit/share.

Item 4 Past Performance

Provide a bar chart prepared in accordance with Item 4.2 of Part B, and include the total return calculated for the interim period.

Item 5 Summary of Investment Portfolio

(1) Include a summary of investment portfolio as at the end of the financial period to which the interim MRFP pertains.

(2) The summary of investment portfolio must be prepared in accordance with Item 5 of Part B.

Item 6 Other Material Information

Provide any other material information relating to the investment fund not otherwise required to be disclosed by this Part including information required to be disclosed pursuant to an order or exemption received by the investment fund.

COMPANION POLICY 81-106CP TO NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

COMPANION POLICY 81-106CP TO NATIONAL INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE

PART 1 PURPOSE AND APPLICATION OF THE COMPANION POLICY

1.1 Purpose - The purpose of this Companion Policy (the Policy) is to help you understand how the Canadian securities regulatory authorities (CSA or we) interpret or apply certain provisions of National Instrument 81-106 I*nvestment Fund Continuous Disclosure* (the Instrument).

1.2 Application

(1) The Instrument applies to investment funds. The general nature of an investment fund is that the money invested in it is professionally managed on the basis of a stated investment policy, usually expressed in terms of investment objectives and strategies, and is invested in a portfolio of securities. The fund has the discretion to buy and sell investments within the constraints of its investment policy. Investment decisions are made by a manager or portfolio adviser acting on behalf of the fund. An investment fund provides a means whereby investors can have their money professionally managed rather than making their own decisions about investing in individual securities.

(2) An investment fund generally does not seek to obtain control of or become involved in the management of companies in which it invests. Exceptions to this include labour sponsored or venture capital funds, where some degree of involvement in the management of the investees is an integral part of the investment strategy.

Investment funds can be distinguished from holding companies, which generally exert a significant degree of control over the companies in which they invest. They can also be distinguished from the issuers known as “Income Trusts” which generally issue securities that entitle the holder to net cash flows generated by (i) an underlying business owned by the trust or other entity, or (ii) the income-producing property owned by the trust or other entity. Examples of entities that are not investment funds are business income trusts, real estate investment trusts and royalty trusts.

(3) Investment funds that meet the definition of “mutual fund” in securities legislation – generally because their securities are redeemable on demand or within a specified period after demand at net asset value per security – are referred to as mutual funds. Other investment funds are generally referred to as non-redeemable investment funds. The definition of “non-redeemable investment fund” included in this instrument summarises the concepts discussed above. Because of their similarity to mutual funds, they are subject to similar reporting requirements. Examples include closed-end funds, funds traded on exchanges with limited redeemability, certain limited partnerships investing in portfolios of securities such as flow-through shares, and scholarship plans (other than self-directed RESPs as defined in OSC Rule 46-501 *Self-Directed Registered Education Savings Plans*).

(4) Labour sponsored and venture capital funds may or may not be considered to be mutual funds depending on the requirements of the provincial legislation under which they are established (for example, shares of Ontario labour sponsored funds are generally redeemable on demand, while shares of British Columbia employee venture capital corporations are not). Nevertheless, these issuers are investment funds and must comply with the general disclosure rules for investment funds as well as specific requirements for labour sponsored and venture capital funds included in Part 8 of this Instrument.

1.3 Definitions

(1) A term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in that statute unless (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure, or (b) the context otherwise requires.

(2) For instance, the term “material change” is defined in local securities legislation of most jurisdictions. The CSA consider the meaning given to this term in securities legislation to be substantially similar to the definition set out in the Instrument.

1.4 Plain Language Principles - The CSA believe that plain language will help investors understand an investment fund’s disclosure documents so that they can make informed investment decisions. You can achieve this by

- using short sentences
- using definite, everyday language

- using the active voice
- avoiding unnecessary words
- organizing the document into clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it helps to understand the disclosure
- using technical terms only where necessary and explaining those terms clearly
- avoiding boilerplate wording
- using concrete terms and examples
- using charts and tables where it makes the disclosure easier to understand.

1.5 Signature and Certificates - The directors, trustee or manager of an investment fund are not required to file signed or certified continuous disclosure documents. They are responsible for the information in the investment fund's disclosure documents whether or not a document is signed or certified, and it is an offence under securities legislation to make a false or misleading statement in any required document.

1.6 Filings on SEDAR - All documents required to be filed under the Instrument must be filed in accordance with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*.

1.7 Corporate Law Requirements - Some investment funds may be subject to requirements of corporate law that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may require investment funds to deliver annual financial statements to securityholders. This Instrument cannot provide exemptions from these requirements.

PART 2 FINANCIAL STATEMENTS

2.1 Interrelationship of Financial Statements with Canadian GAAP

(1) The Instrument requires investment funds to prepare their financial statements and management reports of fund performance and to calculate their net asset value in accordance with both Canadian GAAP and the Instrument.

(2) Canadian GAAP provides some general requirements for the preparation of financial statements that apply to investment fund financial statements. Canadian GAAP does not contain detailed requirements for the contents of investment fund financial statements. The CSA believe that an investment fund's financial statements must include certain information, at a minimum, in order to provide full disclosure. The Instrument sets out these minimum requirements. When preparing these documents, include any additional information necessary to ensure that all material information concerning the financial position and results of the investment fund is disclosed.

(3) Handbook Section 1100 *Generally Accepted Accounting Principles* has changed the definition of what was considered to be Canadian GAAP. Prior to the introduction of Section 1100, the investment funds industry relied on paragraph 1000.60(a), which permitted accounting policies that "are generally accepted by virtue of their use in similar circumstances by a significant number of entities in Canada." This is no longer the case as Section 1100 requires the application of all relevant primary sources of Canadian GAAP. Accounting Guideline 18 *Investment Companies* provides specific guidance on certain topics. When no relevant primary source of Canadian GAAP is available, professional judgement and the concepts described in Section 1000 should be used to set accounting policies consistent with Canadian GAAP.

2.2 Filing Deadline for Annual Financial Statements and Auditor's Report - Section 2.2 of the Instrument sets out the filing deadline for annual financial statements. While section 2.2 of the Instrument does not address the auditor's report date, investment funds are encouraged to file their annual financial statements as soon as possible after the date of the auditor's report.

2.3 Timing and Content of Interim Financial Statements - Handbook Section 1751 *Interim Financial Statements* requires that interim financial statements include each of the headings and subtotals included in the most recent annual financial statements. In addition, the principles of paragraph 14 of Section 1751 should be applied to the requirements in section 3.6 of the Instrument regarding the notes to the financial statements.

2.4 Length of Financial Year - For the purposes of the Instrument, unless otherwise expressly provided, references to a financial year apply regardless of the length of that year. The first financial year of an investment fund commences on the date of its incorporation or organization and ends at the close of that year.

2.5 Contents of Statement of Operations - The amount of fund expenses waived or paid by the manager or portfolio adviser of the investment fund disclosed in the statement of operations excludes amounts waived or paid due to an expense cap that would require securityholder approval to change.

2.6 Disclosure of Soft Dollars - The notes to the financial statements of an investment fund must contain disclosure of soft dollar amounts when such amounts are ascertainable. When calculating these amounts, investment funds should include the quantifiable value of goods and services, beyond the amount attributed to order execution, received directly from the dealer executing the fund's portfolio transactions, or from a third party.

2.7 Accounting for Securities Lending Transactions

(1) Section 3.8 of the Instrument imposes certain reporting requirements on investment funds in connection with any securities lending transactions entered into by the investment fund. These requirements were included to ensure that all securities lending transactions are accounted for on the same basis.

The general accounting principle concerning whether a given transaction is a recordable transaction is based on determining whether risk and rewards have transferred in the transaction. The substance of a securities lending transaction is that the manager treats the original securities as if they had not been lent. The investment fund must be able to call the original securities back at any time, and the securities returned must be the same or substantially the same as the original securities. These conditions reduce the risk of the investment fund not being able to transact the original securities. The original securities remain on the books of the investment fund.

(2) The accounting treatment of the collateral in a securities lending transaction depends on the ability of the lender to control what happens with the collateral. If non-cash collateral is received by the investment fund, the collateral is not reflected on the statement of net assets of the investment fund if the non-cash collateral cannot be sold or repledged. If the investment fund lender receives cash collateral, the investment fund has the ability to either hold or reinvest the cash. The lender has effective control over the cash, even though it uses an agent to effect the reinvestment on its behalf. The cash collateral, subsequent reinvestment, and obligation to repay the collateral are recorded on the books of the investment fund.

2.8 Change in Year End

(1) The change in year end reporting requirements are adopted from National Instrument 51-102, with appropriate modifications to reflect that investment funds report on a six month interim period.

(2) The definition of "interim period" in the Instrument differs from the definition of this term in National Instrument 51-102. An investment fund cannot have more than one interim period in a transition year.

(3) Interim financial statements for the new financial year will have comparatives from the corresponding months in the preceding year, whether or not they are from the transition year or from the old financial year, they were previously prepared or not, or they straddle a year-end.

(4) If an investment fund voluntarily reports on a quarterly basis, it should follow the requirements set out in National Instrument 51-102 for a change in year end, with appropriate modifications.

(5) Appendix A to this Policy outlines the financial statement filing requirements under section 2.9 of the Instrument for an investment fund that changes its year end.

2.9 Change in Legal Structure - Section 2.10 of the Instrument requires a reporting issuer to file a notice if it has been involved in certain restructuring transactions. This notice should be filed with the securities regulatory authority or regulator in the applicable jurisdictions at the addresses set out in Appendix B to this Policy.

2.10 Mutual Funds that are Non-Reporting Issuers - The requirement in subsection 2.11(c) to advise the applicable regulator or securities regulatory authority of a mutual fund's reliance on the financial statement filing exemption provided in section 2.11 of the Instrument can be satisfied by a one-time notice.

PART 3 AUDITORS AND THEIR REPORTS

3.1 Acceptable Auditor - Securities legislation in most jurisdictions prohibits a regulator or securities regulatory authority from issuing a receipt for a prospectus if it appears that a person or company who has prepared any part of the prospectus, or is named as having prepared or certified a report used in connection with a prospectus, is not acceptable.

Investment funds that are reporting issuers, and their auditors, should refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to auditor oversight by the Canadian Public Accountability Board.

3.2 Reservations in an Auditor's Report

(1) The Instrument generally prohibits an auditor's report from containing a reservation, qualification of opinion, or other similar communication that would constitute a reservation under Canadian GAAS.

(2) Part 17 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor's report not contain a reservation, qualification of opinion or other similar communication that would constitute a reservation under Canadian GAAS. However, we believe that such exemptive relief should not be granted if the reservation, qualification of opinion or other similar communication is

(a) due to a departure from accounting principles permitted by the Instrument, or

(b) due to a limitation in the scope of the auditor's examination that

(i) results in the auditor being unable to form an opinion on the financial statements as a whole,

(ii) is imposed or could reasonably be eliminated by management, or

(iii) could reasonably be expected to be recurring.

3.3 Auditor's Involvement with Management Reports of Fund Performance - Investment funds' auditors are expected to comply with Handbook Section 7500 A*uditor Association with Annual Reports, Interim Reports and Other Public Documents*, when preparing the annual and interim management reports of fund performance required by the Instrument.

3.4 Auditor Involvement with Interim Financial Statements

(1) The board of directors of an investment fund that is a corporation or the trustees of an investment fund that is a trust, in discharging their responsibilities for ensuring reliable interim financial statements, should consider engaging an external auditor to carry out a review of the interim financial statements.

(2) Section 2.12 of the Instrument requires an investment fund to disclose if an auditor has not performed a review of the interim financial statements, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor performed a review and expressed a reservation in the auditor's interim review report. No positive statement is required when an auditor performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on interim financial statements applying review standards set out in the Handbook, and the auditor was unable to complete the review, the investment fund's disclosure of the reasons why the auditor was unable to complete the review should normally include a discussion of

(a) inadequate internal control,

(b) a limitation on the scope of the auditor's work, or

(c) a failure of management to provide the auditor with written representations the auditor believes are necessary.

(3) The terms "review" and "written review report" used in section 2.12 of the Instrument refer to the auditor's review of and report on interim financial statements using standards for a review of interim financial statements by the auditor as set out in Handbook Section 7050 *Auditor Review of Interim Financial Statements*.

(4) The Instrument does not specify the form of notice that should accompany interim financial statements that have not been reviewed by the auditor. The notice accompanies, but does not form part of, the interim financial statements. We expect that the notice will normally be provided on a separate page appearing immediately before the interim financial statements, in a manner similar to an audit report that accompanies annual financial statements.

PART 4 DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE

4.1 Delivery Instructions

(1) The Instrument gives investment funds the following choices for the delivery of financial statements and management reports of fund performance:

(a) send these documents to all securityholders;

(b) obtain standing instructions from securityholders with respect to the documents they wish to receive; or

(c) obtain annual instructions from securityholders by sending them an annual request form they can use to indicate which documents they wish to receive.

The choices are intended to provide some flexibility concerning the delivery of continuous disclosure documents to securityholders. However, the Instrument specifies that once an investment fund chooses option (b), it cannot switch back to option (c) at a later date. The purpose of this requirement is to encourage investment funds to obtain standing instructions and to ensure that if a securityholder provides standing instructions, the investment fund will abide by those instructions unless the securityholder specifically changes them.

(2) When soliciting delivery instructions from a securityholder, an investment fund can deem no response from the securityholder to be a request by the securityholder to receive all, some or none of the documents listed in subsection 5.1(2) of the Instrument. When soliciting delivery instructions, an investment fund should make clear what the consequence of no response will be to its securityholders.

(3) Investment funds should solicit delivery instructions sufficiently ahead of time so that securityholders can receive the requested documents by the relevant filing deadline. Securityholders should also be given a reasonable amount of time to respond to a request for instructions. Investment funds should provide securityholders with complete contact information for the investment fund, including a toll-free telephone number or a number for collect calls.

(4) Investment funds under common management can solicit one set of delivery instructions from a securityholder that will apply to all of the funds in the same fund family that the securityholder owns. If a securityholder has given an investment fund standing delivery instructions and then later acquires the securities of another investment fund managed by the same manager, the newly acquired fund can rely on those standing instructions.

(5) The Instrument requires investment funds to deliver the quarterly portfolio disclosure and the proxy voting record to securityholders upon request, but does not require investment funds to solicit delivery instructions from securityholders with respect to this disclosure. Investment funds are obligated to state on the first page of their management reports of fund performance that this disclosure is available.

4.2 Communication with Beneficial Owners – Generally, investment funds must apply the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* for the purposes of Part 5 of the Instrument, but an exemption from National Instrument 54-101 is available to investment funds that have beneficial owner information.

We recognize that different types of investment funds have different access to beneficial owner information (for example, mutual funds are more likely to have beneficial owner information than exchange-traded funds) and that the procedures in National Instrument 54-101 may not be efficient for every investment fund. Therefore, we intend the

provisions in Part 5 of the Instrument to provide investment funds with flexibility to communicate directly with the beneficial owners of their securities.

4.3 **Binding** – For the purposes of delivery to a securityholder, the Instrument permits more than one management report of fund performance to be bound together if the securityholder owns all of the funds to which the management reports relate. There is no prohibition in the Instrument against binding the management report of fund performance with the financial statements for one investment fund for the purposes of delivering these documents to a securityholder who has requested them.

4.4 **Electronic Delivery** - Any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with National Policy 11-201 *Delivery of Documents by Electronic Means* and, in Quebec, Quebec Staff Notice *The Delivery of Documents by Electronic Means*. In particular, the annual reminder required by section 5.2 and the request form required by section 5.3 of the Instrument may be given in electronic form and may be combined with other notices. Request forms and notices may alternatively be sent with account statements or other materials sent to securityholders by an investment fund.

PART 5 INDEPENDENT VALUATIONS

5.1 Independent Valuations

(1) Part 8 of the Instrument is designed to address the concerns raised by labour sponsored or venture capital funds that disclosing a fair value for their venture investments may disadvantage the private companies in which they invest. Section 8.2 permits alternative disclosure by a labour sponsored or venture capital fund of its statement of investment portfolio. Labour sponsored or venture capital funds must disclose the individual securities in which they invest, but may aggregate all changes from costs of the venture investments, thereby only showing an aggregate adjustment from cost to fair value for these securities. This alternative disclosure is only permitted if the labour sponsored or venture capital fund has obtained an independent valuation in accordance with Part 8 of the Instrument.

(2) The CSA expect the independent valuator's report to provide either a number or a range of values which the independent valuator considers to be a fair and reasonable expression of the value of the venture investments or of the net asset value of the labour sponsored or venture capital fund. The independent valuation should include a critical review of the valuation methodology and an assessment of whether it was properly applied. A report on compliance with stated valuation policies and practices cannot take the place of an independent valuation.

The valuation report should disclose the scope of the review, including any limitations on the scope, and the implications of these limitations on the independent valuator’s conclusion.

(3) The independent valuator should refer to the reporting standards of the Canadian Institute of Chartered Business Valuators for guidance.

(4) A labour sponsored or venture capital fund obtaining an independent valuation should furnish the independent valuator with access to its manager, advisers and all material information in its possession relevant to the independent valuation.

5.2 Independent Valuators

(1) It is a question of fact as to whether a valuator is independent of the labour sponsored or venture capital fund. In determining the independence of the valuator, a number of factors may be relevant, including whether

(a) the valuator or an affiliated entity has a material financial interest in future business in respect of which an agreement, commitment or understanding exists involving the fund or a person or company listed in paragraph (2)(a); or

(b) the valuator or its affiliated entity is a lender of a material amount of indebtedness to any of the issuers of the fund’s illiquid investments.

(2) The CSA would generally consider a valuator not to be independent of a labour sponsored or venture capital fund where

(a) the valuator or an affiliated entity of the valuator is

(i) the manager of the fund,

(ii) a portfolio adviser of the fund,

(iii) an insider of the fund,

(iv) an associate of the fund,

(v) an affiliated entity of the fund, or

(vi) an affiliated entity of any of the persons or companies named in this paragraph (a);

(b) the compensation of the valuator or an affiliated entity of the valuator depends in whole or in part upon an agreement, arrangement or understanding that gives the valuator, or its affiliated entity, a financial incentive in respect of the conclusions reached in the valuation; or

(c) the valuator or an affiliated entity of the valuator has a material investment in the labour sponsored or venture capital fund or in a portfolio asset of the fund.

PART 6 PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

6.1 Proxy Voting Disclosure

(1) An investment fund's manager, acting on the investment fund's behalf, has the right and obligation to vote proxies relating to the investment fund's portfolio securities. As a practical matter, the manager may delegate this function to the investment fund's portfolio adviser as part of the adviser's general management of investment fund assets. In either case, the manager or portfolio adviser voting proxies on behalf of an investment fund must do so in a manner consistent with the best interests of the fund and its securityholders.

(2) Because of the substantial institutional voting power held by investment funds, the increasing importance of the exercise of that power to securityholders, and the potential for conflicts of interest with respect to the exercise of proxy voting, we believe that investment funds should disclose their proxy voting policies and procedures, and should make their actual proxy voting records available to securityholders.

(3) The Instrument requires that the investment fund establish policies and procedures for determining whether, and how, to vote on any matter for which the investment fund receives proxy materials for a meeting of securityholders of an issuer. The CSA consider an investment fund to “receive” a document when it is delivered to any service provider or to the investment fund in respect of securities held beneficially by the investment fund. Proxy materials may be delivered to a manager, a portfolio adviser or sub-adviser, or a custodian. All of these deliveries are considered delivered “to” the investment fund.

(4) The Instrument requires an investment fund to maintain an annual proxy voting record as of June 30 and to post this to the fund’s website if it has one. However, investment funds may choose to disclose their proxy votes throughout the course of the year, and may also choose to disclose how they intend to vote prior to the shareholder meeting.

6.2 Proxy Voting Policies and Procedures

(1) Section 10.2 of the Instrument sets out, in general terms, what the securities regulatory authorities consider to be minimum policies and procedures for the proxy voting process. Investment funds are responsible for adopting any additional policies relevant to their particular situation. For example, investment funds should consider whether they require any specific policies dealing with shareholder meetings of issuers resident in other countries.

(2) An investment fund sometimes needs to vote securities held by it in order to protect its interests in connection with corporate transactions or developments relating to the issuers of its portfolio securities. The manager and portfolio adviser, or the agent of the investment fund administering a securities lending program on behalf of the investment fund, should monitor corporate developments relating to portfolio securities that are loaned by the investment fund in securities lending transactions, and take all necessary steps to ensure that the investment fund can exercise a right to vote the securities when necessary.

PART 7 MATERIAL CHANGE

7.1 Material Changes - Determining whether a change is a material change will depend on the specific facts and circumstances surrounding the change. However, the CSA is of the view that

(a) the change of portfolio adviser of an investment fund will generally constitute a material change for the investment fund, and

(b) the departure of a high-profile individual from the employ of a portfolio adviser of an investment fund may constitute a material change for the investment fund, depending on how prominently the investment fund featured that individual in its marketing. An investment fund that emphasized the ability of a particular individual to encourage investors to purchase the fund could not later take the position that the departure of that individual was immaterial to investors and therefore not a material change.

7.2 Confidential Material Change Report - The CSA are of the view that in order for an investment fund to file a confidential material change report under Section 11.2 of the Instrument, the investment fund or its manager should advise insiders of the prohibition against trading during the filing period of a confidential material change report and must also take steps to monitor trading activity.

PART 8 INFORMATION CIRCULARS

8.1 Sending of Proxies and Information Circulars - Investment funds are reminded that National Instrument 54-101 prescribes certain procedures relating to the delivery of proxy-related materials sent to beneficial owners of securities.

PART 9 PUBLICATION OF NET ASSET VALUE PER SECURITY

9.1 Publication of Net Asset Value Per Security – An investment fund that arranges for the publication of its net asset value per security should calculate its net asset value per security and make the results of that calculation available to the financial press as quickly as is commercially practicable. An investment fund should attempt to meet the deadlines of the financial press for publication in order to ensure that its net asset values per security are publicly available as quickly as possible.

PART 10 CALCULATION OF MANAGEMENT EXPENSE RATIO

10.1 Calculation of Management Expense Ratio

(1) Part 15 of the Instrument sets out the method to be used by an investment fund to calculate its management expense ratio (MER). The requirements apply in all circumstances in which an investment fund calculates and discloses an MER. This includes disclosure in a sales communication, a prospectus, an annual information form, financial statements, a management report of fund performance or a report to securityholders.

(2) Paragraph 15.1(1)(a) requires the investment fund to use its "total expenses" before income taxes for the relevant period as the basis for the calculation of MER. Total expenses, before income taxes, include interest charges and taxes of all types, including sales taxes, GST and capital taxes payable by the investment fund. Canadian GAAP currently permits an investment fund to deduct withholding taxes from the income to which they apply. Accordingly, withholding taxes are not recorded as "total expenses" on the investment fund's income statement and need not be included in its MER calculation.

Non-optional fees paid directly by investors in connection with the holding of an investment fund’s securities do not have to be included in the MER calculation, which differs from the previous requirement in NI 81-102.

(3) The CSA recognize that an investment fund may incur fees and charges that are not included in total expenses, but that reduce the net asset value and the amount of investable assets of the investment fund. Sales commissions paid by an investment fund in connection with the sale of the investment fund’s securities are an example of such fees and charges. We believe that these fees and charges should be reflected in the MER of the investment fund.

(4) Brokerage charges and other portfolio transaction costs are not considered to be part of total expenses as they are included in the cost of purchasing, or netted out of the proceeds from selling, portfolio assets.

(5) In its management report of fund performance, an investment fund must disclose historical MERs for five years calculated in accordance with Part 15. If the investment fund has not calculated the historical MERs in the manner required by the Instrument, we are of the view that the change in the method of calculating the MER should be treated in a manner similar to a change in accounting policy under Handbook Section 1506 *Accounting Changes*. Under Canadian GAAP, a change in accounting policy requires a retroactive restatement of the financial information for all periods shown. However, the Handbook acknowledges that there may be circumstances where the data needed to restate the financial information is not reasonably determinable.

If an investment fund retroactively restates its MER for any of the five years it is required to show, the investment fund should describe this restatement in the first document released and in the first management report of fund performance in which the restated MERs are reported.

If an investment fund does not restate its MER for prior periods because, based on specific facts and circumstances, the information required to do so is not reasonably determinable, the MER for all financial periods ending after the effective date of the Instrument must be calculated in accordance with Part 15. In this case, the investment fund must also disclose

(i) that the method of calculating MER has changed, specifying for which periods the MER has been calculated in accordance with the change;

(ii) that the investment fund has not restated the MER for specified prior periods;

(iii) the impact that the change would have had if the investment fund had restated the MER for the specified prior periods (for example, would the MER have increased or decreased and an estimate of the increase or decrease); and

(iv) a description of the main differences between an MER calculated in accordance with the Instrument and the previous calculations.

The disclosure outlined above should be provided for all periods presented until such time as all MERs presented are calculated in accordance with the Instrument.

APPENDIX A EXAMPLES OF FILING REQUIREMENTS FOR CHANGES IN YEAR END

The following examples assume the old financial year ended on December 31, 20X0

Transition Year	Comparative Annual Financial Statements to Transition Year	New Financial Year	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to New Financial Year
Up to 3 months							
3 months ended 3/31/X1	12 months ended 12/31/X0	3/31/X2	3 months ended 3/31/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 9/30/X1	6 months ended 9/30/X0
4 to 6 months							
6 months ended 6/30/X1	12 months ended 12/31/X0	6/30/X2	6 months ended 6/30/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 12/31/X1	6 months ended 12/31/X0
7 or 8 months							
8 months ended 8/31/X1	12 months ended 12/31/X0	8/31/X2	8 months ended 8/31/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 2/28/X2	6 months ended 2/28/X1
9 to 11 months							
11 months ended 11/30/X1	12 months ended 12/31/X0	11/30/X2	11 months ended 11/30/X1	6 months ended 6/30/X1	6 months ended 6/30/X0	6 months ended 5/31/X2	6 months ended 5/31/X1
11 to 15 months							
15 months ended 3/31/X2	12 months ended 12/31/X0	3/31/X3	15 months ended 3/31/X2	6 months ended 6/30/X1	6 months ended 6/30/X0	6 months ended 9/30/X2	6 months ended 9/30/X1

APPENDIX B CONTACT ADDRESSES FOR FILING OF NOTICES

Alberta Securities Commission
4th Floor
300 – 5th Avenue S.W.
Calgary, Alberta
T2P 3C4
Attention: Director, Capital Markets

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Attention: Financial Reporting

Manitoba Securities Commission
1130 – 405 Broadway
Winnipeg, Manitoba
R3C 3L6
Attention: Corporate Finance

New Brunswick Securities Commission
606 - 133 Prince William Street
Saint John, NB
E2L 2B5
Attention: Corporate Finance

Securities Commission of Newfoundland and Labrador
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's, NFLD
A1B 4J6
Attention: Director of Securities

Department of Justice, Northwest Territories
Legal Registries
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Director, Legal Registries

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9
Attention: Corporate Finance

Department of Justice, Nunavut
Legal Registries Division
P.O. Box 1000 – Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Director, Legal Registries Division

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Continuous Disclosure, Investment Funds

Registrar of Securities, Prince Edward Island
P.O. Box 2000
95 Rochford Street, 5th Floor,
Charlottetown, PEI
C1A 7N8
Attention: Registrar of Securities

Autorité des marchés financiers
800 Square Victoria, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3
Attention: Direction des marchés des capitaux

Saskatchewan Financial Services Commission – Securities Division
6th Floor,
1919 Saskatchewan Drive
Regina, SK S4P 3V7
Attention: Deputy Director, Corporate Finance

Registrar of Securities, Government of Yukon
Corporate Affairs J-9
P.O. Box 2703
Whitehorse, Yukon
Y1A 5H3
Attention: Registrar of Securities

5.1.2 OSC Rule 81-801 Implementing NI 81-106 Investment Fund Continuous Disclosure

ONTARIO SECURITIES COMMISSION RULE 81-801
IMPLEMENTING NATIONAL INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE

PART 1 – DEFINITIONS

1.1 Definitions

(1) In this Rule, "NI 81-106" means "National Instrument 81-106 *Investment Fund Continuous Disclosure*".

(2) Each term used in this Rule that is defined or interpreted in Part 1 of NI 81-106 has the meaning ascribed to it in that Part.

PART 2 – APPLICATION

2.1 Application – Except as specifically provided otherwise in this Rule, this Rule applies to

(a) an investment fund that is a reporting issuer; and

(b) a mutual fund in Ontario.

PART 3 — INTERRELATIONSHIP WITH LEGISLATION

3.1 Annual Financial Statements – Content

(1) The financial statements required under section 78 of the Act must include the statements and notes described in subsection 2.1(1) of NI 81-106.

(2) Sections 2.2, 2.5, 2.6, 2.7, 2.8, 2.9 and 2.11 of NI 81-106 apply to financial statements and auditor's reports required under section 78 of the Act as if any reference to financial statements or auditor's reports in those sections is a reference to section 78 of the Act.

(3) This section applies for financial years ending on or after June 30, 2005.

3.2 Interim Financial Statements – Content

(1) The financial statements required under section 77 of the Act must include the statements and notes described in section 2.3 of NI 81-106.

(2) Sections 2.4, 2.5, 2.6, 2.9, 2.11 and 2.12 of NI 81-106 apply to financial statements required under section 77 of the Act as if any reference to financial statements in those sections is a reference to section 77 of the Act.

(3) This section applies for interim periods ending after the period determined in subsection 3.1(3).

3.3 Filing Annual Financial Statements – Exemption – Section 78 of the Act does not apply to an investment fund that is a reporting issuer, or to a mutual fund in Ontario, that complies with sections 2.1, 2.2, 2.5, 2.6, 2.7, 2.8, 2.9 and 2.11 of NI 81-106 for financial years ending on or after June 30, 2005.

3.4 Filing Interim Financial Statements – Exemption – Section 77 of the Act does not apply to an investment fund that is a reporting issuer, or to a mutual fund in Ontario, that complies with sections 2.3, 2.4, 2.5, 2.6, 2.9, 2.11 and 2.12 of NI 81-106 for interim periods ending after the period determined in section 3.3.

3.5 Delivering Financial Statements – Exemption – Section 79 of the Act does not apply to an investment fund that is a reporting issuer, or to a mutual fund in Ontario, that complies with Part 5 of NI 81-106 in the case of

(a) annual financial statements for financial years ending on or after June 30, 2005; and

(b) interim financial statements for interim periods ending after the period determined in subsection (a).

3.6 Material Change Reports – Form – Every report required under subsection 75(2) of the Act must be a completed Form 51-102F3, as modified by s. 11.2(1)(c) of NI 81-106, except that the reference in Part 2, Item 3 of Form 51-102F3 to section 11.2 of NI 81-106 shall be read as referring to subsection 75(1) of the Act and references in Part 2, Items 6

and 7 of Form 51-102F3 to subsections 11.2(2), 11.2(4) or 11.2(5) of NI 81-106 shall be read as referring to subsections 75(3), 75(4) or 75(5), respectively, of the Act.

3.7 **Issuance of Material Change News Release – Exemption –** Subsection 75(1) of the Act does not apply to an investment fund that is a reporting issuer that complies with subsection 11.2(1)(a) of NI 81-106.

3.8 **Filing Material Change Report – Exemption –** Subsection 75(2) of the Act does not apply to an investment fund that is a reporting issuer that complies with subsection 11.2(1)(c) of NI 81-106.

3.9 **Annual Filing – Exemption –** Investment funds that are reporting issuers are exempt from subsection 81(2) of the Act.

3.10 **Information Circulars – Form** – An information circular referred to in clause (a) or (b) of subsection 86(1) of the Act must be a completed Form 51-102F5 from and after July 1, 2005.

3.11 **Filing Information Circular – Exemption** – Subsection 81(1) of the Act does not apply to an investment fund that is a reporting issuer that complies with section 12.4 of NI 81-106, from and after July 1, 2005.

3.12 **Solicitation of Proxies – Exemption** – Section 85 of the Act does not apply to an investment fund that is a reporting issuer that complies with subsection 12.2(1) of NI 81-106, from and after July 1, 2005.

3.13 **Sending Information Circular – Exemption** – Section 86 of the Act does not apply to an investment fund that is a reporting issuer that complies with subsection 12.2(2) of NI 81-106, from and after July 1, 2005.

PART 4 – EFFECTIVE DATE

4.1 **Effective Date –** This Rule comes into force on June 1, 2005.

COMPANION POLICY 81-801CP - TO ONTARIO SECURITIES COMMISSION RULE 81-801 IMPLEMENTING NATIONAL INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE

1.1 **Introduction** – The purpose of this Companion Policy is to provide information relating to the manner in which the Ontario Securities Commission interprets or applies certain provisions of OSC Rule 81-801 *Implementing National Instrument 81-106 Investment Fund Continuous Disclosure* (the Implementing Rule) and National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).

1.2 **Interrelationship between NI 81-106 and the *Securities Act* (Ontario) (the Act)** – NI 81-106 is intended to provide a single source of harmonized continuous disclosure obligations for investment funds. As a result, NI 81-106 sometimes repeats (without any substantive change) certain requirements that are also dealt with in the Act under Part XVIII *Continuous Disclosure* and Part XIX *Proxies and Proxy Solicitation*. In addition, NI 81-106, through the Implementing Rule, varies or adds to some of the requirements contained in Parts XVIII and XIX of the Act. The cumulative effect of NI 81-106 and the Implementing Rule is that NI 81-106 supersedes the requirements found in Parts XVIII and XIX of the Act (other than sections 76 and 87, the subject matter of which are not dealt with in NI 81-106). Investment funds that are reporting issuers and mutual funds in Ontario can and should therefore refer to NI 81-106 in place of the continuous disclosure and proxy solicitation requirements contained in Parts XVIII and XIX of the Act (other than sections 76 and 87).

5.1.3 Consequential Amendments to NI 81-101 Mutual Fund Prospectus Disclosure

NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE,
FORM 81-101F1 CONTENTS OF SIMPLIFIED PROSPECTUS AND
FORM 81-101F2 CONTENTS OF ANNUAL INFORMATION FORM
AMENDMENT INSTRUMENT

1. National Instrument 81-101 *Mutual Fund Prospectus Disclosure* is amended by this Instrument.

2. Section 3.1 is amended by adding the following after paragraph 3:

> "4. The most recently filed annual management report of fund performance of the mutual fund that was filed before or after the date of the simplified prospectus.
>
> 5. The most recently filed interim management report of fund performance of the mutual fund that was filed before or after the date of the simplified prospectus and that pertains to a period after the period to which the annual management report of fund performance then incorporated by reference in the simplified prospectus pertains.".

3. Part 7 is amended by adding the following after section 7.3:

> "**7.4 Introduction of Management Reports of Fund Performance** – Items 8, 11 and 13.1 of Part B of Form 81-101F1 do not apply to a mutual fund that has filed an annual management report of fund performance as required by National Instrument 81-106 *Investment Fund Continuous Disclosure*."

4 Form 81-101F1 Contents of Simplified Prospectus is amended

(a) by repealing the third bullet point in Item 3.1 of Part A and substituting the following:

> "• Additional information about the Fund is available in the following documents:
>
> - the Annual Information Form;
> - the most recently filed annual financial statements;
> - any interim financial statements filed after those annual financial statements;
> - the most recently filed annual management report of fund performance;
> - any interim management report of fund performance filed after that annual management report of fund performance.
>
> These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer.".

(b) by repealing the third bullet point in Item 3.2 of Part A and substituting the following:

> "• Additional information about each Fund is available in the following documents:
>
> - the Annual Information Form;
> - the most recently filed annual financial statements;
> - any interim financial statements filed after those annual financial statements;
> - the most recently filed annual management report of fund performance;
> - any interim management report of fund performance filed after that annual management report of fund performance.
>
> These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer.".

(c) by repealing Item 14(2) of Part A and substituting the following:

"(2) State, in substantially the following words:

- Additional information about the Fund[s] is available in the Fund['s/s'] Annual Information Form, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

- You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].

- These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund manager] internet site at [insert website address] or] at www.sedar.com."

(d) by repealing Items 8, 11 and 13.1 of Part B.

(e) in Item 13.2 of Part B by:

(i) repealing subsection 13.2(1) and substituting the following:

"(1) Under the heading "Fund Expenses Indirectly Borne by Investors", provide an example of the share of the expenses of the mutual fund indirectly borne by investors, containing the information and based on the assumptions described in (2)."; and

(ii) repealing subsection 13.2(4) and substituting the following:

"(4) The management expense ratio used in calculating the disclosure provided under this Item must be the management expense ratio calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.".

5. Form 81-101F2 *Contents of Annual Information Form* is amended

(a) in Item 12 by adding the following after subsection (6):

"(7) Unless the mutual fund invests exclusively in non-voting securities, describe the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities including

(a) the procedures followed when a vote presents a conflict between the interests of securityholders and those of the mutual fund's manager, portfolio adviser, or any affiliate or associate of the mutual fund, its manager or its portfolio adviser;

(b) any policies and procedures of the mutual fund's portfolio adviser, or any other third party, that the mutual fund follows, or that are followed on the mutual fund's behalf, to determine how to vote proxies relating to portfolio securities.

State that the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling [toll-free/collect call telephone number] or by writing to [address].

(8) State that the mutual fund's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any securityholder of the mutual fund upon request at any time after August 31 of that year. If the proxy voting record is available on the mutual fund's website, provide the website address.

INSTRUCTION:

The mutual fund's proxy voting policies and procedures must address the requirements of section 10.2 of National Instrument 81-106 Investment Fund Continuous Disclosure.".

(b) by adding the following Instruction at the end of Item 15:

"*INSTRUCTION:*

The disclosure required under Item 15(1) regarding executive compensation for management functions carried out by employees of a mutual fund must be made in accordance with the disclosure requirements of Form 51-102F6 Statement of Executive Compensation."

(c) by repealing Item 24(2) and substituting the following:

"(2) State, in substantially the following words:

- Additional information about the Fund[s] is available in the Fund['s/s'] management reports of fund performance and financial statements.
- You can get a copy of these documents at no cost by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].
- These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund manager] internet site at [insert website address] or] at www.sedar.com."

6. (a) Sections 2, 3, and 5 and paragraphs 4(a), (b), (c) and (e) of this Instrument come into force on June 1, 2005.

(b) Paragraph 4(d) of this Instrument comes into force on October 27, 2006.

(c) Section 7.4 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* is repealed on October 27, 2006.

COMPANION POLICY 81-101CP
MUTUAL FUND PROSPECTUS DISCLOSURE
AMENDMENT INSTRUMENT

1. Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure* is amended by this Instrument.

2. Section 2.2 is amended by deleting subsection 2.2(2) and substituting the following:

> "(2) The approach of the Instrument is to give investors a choice of the amount of information that they wish to consider before making a decision about investing in the mutual fund. Investors will have the option of purchasing the mutual fund's securities after reviewing the information in the simplified prospectus only or after requesting and reviewing the annual information form, financial statements or management reports of fund performance incorporated by reference into the simplified prospectus.".

3. Section 2.4 is deleted and substituted by the following:

> "**2.4 Financial Statements and Management Reports of Fund Performance** – The Instrument contemplates that the mutual fund's most recently audited financial statements, and any interim statements filed after those audited statements, as well as the mutual fund's most recently filed annual management report of fund performance, and any interim management report of fund performance filed after that annual management report, will be provided upon request to any person or company requesting them. Like the annual information form, these financial statements and management reports of fund performance are incorporated by reference into the simplified prospectus. The result is that future filings will be incorporated by reference into the simplified prospectus, while superseding the financial statements and management reports of fund performance previously filed."

4. Section 7.5 is deleted.

5. Section 8.2 is deleted and substituted by the following:

> **"8.2 Portfolio Advisers** – The AIF Form requires disclosure concerning the extent to which investment decisions are made by particular individuals employed by a portfolio adviser, or by committee, and requires in section 10.3(3)(b) of the AIF Form that certain specified information be given about those individuals principally responsible for the investment portfolio of the mutual fund. Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* requires a simplified prospectus to be amended if a material change occurs in the affairs of the mutual fund. Reference is made to section 7.1 of Companion Policy 81-106CP *Investment Fund Continuous Disclosure* for a discussion of when a departure of a high-profile individual from a portfolio adviser of a mutual fund may constitute a material change for the mutual fund. Mutual funds should consider these provisions if and when they encounter the departure of such a person from a portfolio adviser. If such a departure is not a material change for the mutual fund, then there is no requirement for an amendment to a simplified prospectus, subject to the general requirement that a simplified prospectus contain full, true and plain disclosure about the mutual fund."

6. This Instrument comes into force on June 1, 2005.

5.1.4 Consequential Amendments to NI 81-102 Mutual Funds

NATIONAL INSTRUMENT 81-102
MUTUAL FUNDS
AMENDMENT INSTRUMENT

1. National Instrument 81-102 *Mutual Funds* is amended by this Instrument.

2. Section 1.1 is amended

   (a) by repealing the definition of "management expense ratio" and substituting the following:

   ""management expense ratio" means the ratio, expressed as a percentage, of the expenses of a mutual fund to its average net asset value, calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;";

   (b) by adding the following after the definition of "manager":

   ""material change" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;";

   (c) by repealing the definition of "report to securityholders" and substituting the following:

   ""report to securityholders" means a report that includes annual or interim financial statements, or an annual or interim management report of fund performance, and that is delivered to securityholders of a mutual fund;";

   (d) by adding the following as Item 6 to paragraph (b) of the definition of "sales communication":

   "6. Annual or interim management report of fund performance;";

   (e) by repealing the definition of "significant change"; and

   (f) by repealing the definition of "timely disclosure requirements".

3. Subparagraph 5.1(g)(iii) is repealed and the following is substituted:

   "(iii) the transaction would be a material change to the mutual fund.".

4. Paragraph 5.6(1)(g) is repealed and the following is substituted:

   "(g) the mutual fund has complied with Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* in connection with the making of the decision to proceed with the transaction by the board of directors of the manager of the mutual fund or of the mutual fund;".

5. Paragraph 5.7(1)(d) is repealed and the following is substituted:

   "(d) if the application relates to a matter that would constitute a material change for the mutual fund, a draft of an amendment to the simplified prospectus of the mutual fund reflecting the change; and".

6. Section 5.10 is repealed.

7. Subsection 10.1(4) is repealed and the following is substituted:

   "(4) The statement referred to in subsection (3) is not required to be separately provided, in any year, if the requirements are described in any document that is sent to all securityholders in that year."

8. Part 13 is repealed.

9. Subsection 15.9(2) is amended by striking out "significant change" and substituting "material change" in each instance.

10. Part 16 is repealed.

11. Part 17 is repealed.

12. This Instrument comes into force on June 1, 2005.

COMPANION POLICY 81-102CP
MUTUAL FUNDS
AMENDMENT INSTRUMENT

1. Companion Policy 81-102CP *Mutual Funds* is amended by this Instrument.

2. Subsection 3.2(3) is amended by deleting the last sentence of the subsection and substituting the sentence "In addition, this decision would also constitute a material change for the mutual fund, thereby requiring an amendment to the simplified prospectus of the mutual fund and the issuing of a press release under Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.".

3. Subsection 7.3(2) is amended by deleting the last sentence of the subsection and substituting the sentence "The Canadian securities regulatory authorities believe that this type of transaction generally would constitute a material change for the smaller continuing mutual fund, thereby triggering the requirements of paragraph 5.1(g) of the Instrument and Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.".

4. Section 7.4 is deleted.

5. Part 12 is deleted.

6. Part 14 is deleted.

7. This Instrument comes into force on June 1, 2005.

5.1.5 Consequential Amendments to NI 13-101 System for Electronic Document Analysis and Retrieval (SEDAR)

NATIONAL INSTRUMENT 13-101
SYSTEM FOR ELECTRONIC DOCUMENT ANALYSIS AND RETRIEVAL (SEDAR)
AMENDMENT INSTRUMENT

1. National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* is amended by this Instrument.

2. Appendix A is amended

(a) by repealing item 6 of Part I B and substituting the following:

"6 News Release";

(b) by repealing item 8 of Part I B and substituting the following:

"8.1. Annual Management Report of Fund Performance
8.2. Interim Management Report of Fund Performance";

(c) by repealing item 13 of Part I B and substituting the following:

"13. Labour Sponsored Investment Fund Valuation Reports";

(d) by adding the following after Item 13 of Part I B:

"14.	Report of Management Company – Transactions with related persons or companies (Form 81-903F – British Columbia, Form 38 – Alberta and Ontario, Form 36 – Saskatchewan, Form 39 – Nova Scotia, and Form 37 – Newfoundland)	BC, Alta, Sask, Ont, NS and Nfld
15.	Annual Information Form	
16.	Change in Legal Structure Filings	
17.	Material Contracts";	

(e) by repealing item 1 of Part II B(a) and substituting the following:

"1. News Release";

(f) by striking out "BC, Alta, Sask, Ont, NS & Nfld" from item 2 of Part II B(a);

(g) by striking out "BC, Ont & Que" from item 6 of Part II B(a);

(h) by repealing item 8 of Part II B(a) and substituting the following:

"8.1. Annual Management Report of Fund Performance
8.2. Interim Management Report of Fund Performance"; and

(i) by adding the following after Item 16 of Part II B(a):

"17. Change in Corporate/Legal Structure Filings

18. Material Documents/Contracts".

3. This Instrument comes into force on June 1, 2005.

5.1.6 Consequential Amendments to NI 81-104 Commodity Pools

NATIONAL INSTRUMENT 81-104
COMMODITY POOLS
AMENDMENT INSTRUMENT

1. National Instrument 81-104 *Commodity Pools* is amended by this Instrument.

2. Part 7 is repealed.

3. Sections 8.1, 8.2, 8.3 and 8.4 are repealed.

4. Section 9.2 is amended

   (a) by repealing paragraph 9.2(g) and substituting the following:

   "(g) provide the disclosure concerning the past performance of the commodity pool that is required to be provided by an investment fund under Item 4 of Part B of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance*, except that

   (i) the past performance of the commodity pool, in the bar chart prepared in accordance with Item 4.2 of Part B of Form 81-106F1, must show quarterly, non-annualized returns of the commodity pool over the period provided for in Item 4.2, rather than annual returns, and

   (ii) the commodity pool may, at its option, in the disclosure required by Item 4.3 of Part B of Form 81-106F1, compare its performance to an index if it describes any differences between the commodity pool and the index that affect the comparability of the performance data of the commodity pool and the index;"; and

   (b) in paragraph 9.2(n) by striking out "as required by section 7.3".

5. Sections 9.3 and 9.4 are repealed.

6. This Instrument comes into force on June 1, 2005.

COMPANION POLICY 81-104CP
COMMODITY POOLS
AMENDMENT INSTRUMENT

1. Companion Policy 81-104CP *Commodity Pools* is amended by this Instrument.

2. Subsection 3.1(3) is amended by striking out “Item 11.3 of Part B of Form 81-101F1” in the third sentence and substituting “Item 4.3 of Part B of Form 81-106F1”.

3. This Instrument comes into force on June 1, 2005.

5.1.7 Consequential Amendments to NI 51-102 Continuous Disclosure Obligations

NATIONAL INSTRUMENT 51-102
CONTINUOUS DISCLOSURE OBLIGATIONS
AMENDMENT INSTRUMENT

1. National Instrument 51-102 *Continuous Disclosure Obligations* is amended by this Instrument.

2. Section 1.1 is amended

   (a) by repealing the definition of "investment fund" and substituting the following:

   ""investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC as those terms are defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*;"; and

   (b) by repealing the definition of "non-redeemable investment fund" and substituting the following:

   ""non-redeemable investment fund" means an issuer,

   (a) whose primary purpose is to invest money provided by its securityholders,

   (b) that does not invest,

   (i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or

   (ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and

   (c) that is not a mutual fund;".

3. This Instrument comes into force on June 1, 2005.

5.1.8 Consequential Amendments to NI 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency

NATIONAL INSTRUMENT 52-107
ACCEPTABLE ACCOUNTING PRINCIPLES, AUDITING STANDARDS AND REPORTING CURRENCY
AMENDMENT INSTRUMENT

1. National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency is amended by this Instrument.

2. Section 1.1 is amended

   (a) by repealing the definition of “investment fund” and substituting the following:

   ““"investment fund" has the meaning ascribed to it in National Instrument 51-102;” and

   (b) by repealing the definition of “non-redeemable investment fund”.

3. This Instrument comes into force on June 1, 2005.

5.1.9 Consequential Amendments to NI 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS
AMENDMENT INSTRUMENT

1. National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* is amended by this Instrument.

2. Section 1.1 is amended

   (a) by repealing the definition of “investment fund” and substituting the following:

   ““"investment fund" has the meaning ascribed to it in National Instrument 51-102 *Continuous Disclosure Obligations*;” and

   (b) by repealing the definition of “non-redeemable investment fund”.

3. This Instrument comes into force on June 1, 2005.

5.1.10 Consequential Amendments to OSC Rule 41-502 Prospectus Requirements for Mutual Funds

ONTARIO SECURITIES COMMISSION RULE 41-502
PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS
AMENDMENT

1. Rule 41-502 *Prospectus Requirements for Mutual Funds* is amended by this Amendment.

2. Subparagraph 5.2(3)(a)(ii) is amended by striking out "140" and substituting "90".

3. Section 5.3 is amended by striking out "Part IV of the Regulation" and substituting "National Instrument 81-106 *Investment Fund Continuous Disclosure*".

4. Part 10 is revoked.

5. This Amendment comes into force on June 1, 2005.

5.1.11 MI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings and Companion Policy 52-109CP

MULTILATERAL INSTRUMENT 52-109
CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS
AMENDMENT INSTRUMENT

1. Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* is amended by this Instrument.

2. Subsection 5.2(1) is amended by adding the following after paragraph (b):

   (c) Notwithstanding Part 2 or paragraph 5.2(1)(a), an issuer that files an annual certificate in Form 52-109F1 in respect of a financial year ending on or before June 29, 2006 may omit from the Form 52-109F1

      (i) the words "and internal control over financial reporting" in the introductory language in paragraph 4;

      (ii) paragraph 4(b); and

      (iii) paragraph 5.

3. Subsection 5.2(2) is amended by adding the following after paragraph (b):

   (c) Notwithstanding Part 3 or paragraph 5.2(2)(a), an issuer that files an interim certificate in Form 52-109F2 for a permitted interim period may omit from the Form 52-109F2

      (i) the words "and internal control over financial reporting" in the introductory language in paragraph 4;

      (ii) paragraph 4(b); and

      (iii) paragraph 5.

   (d) For the purpose of paragraph 5.2(2)(c), a permitted interim period is an interim period that occurs prior to the end of the issuer's first financial year ending after June 29, 2006.

4. This Instrument comes into force on June 6, 2005.

COMPANION POLICY 52-109CP
CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS
AMENDMENTS

1. Appendix A to 52-109CP is amended by adding the following at the end of footnote 4:

   In accordance with subsection 5.2(1) of the Instrument, an issuer that files a full annual certificate in respect of a financial year ending on or before June 29, 2006 may omit from the full annual certificate

   (i) the words "and internal control over financial reporting" in the introductory language in paragraph 4;

   (ii) paragraph 4(b); and

   (iii) paragraph 5.

2. Appendix A to 52-109CP is amended by adding the following at the end of footnote 5:

   In accordance with subsection 5.2(2) of the Instrument, an issuer that files a full interim certificate in respect of a permitted interim period may omit from the full interim certificate

   (i) the words "and internal control over financial reporting" in the introductory language in paragraph 4;

   (ii) paragraph 4(b); and

   (iii) paragraph 5.

   A permitted interim period is an interim period that occurs prior to the end of the issuer's first financial year ending after June 29, 2006.

3. These amendments are effective on June 6, 2005.

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

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
17-May-2005	32 Purchasers	2068051 Ontario Inc. - Common Shares	913,483.00	4,613,550.00
17-May-2005	23 Purchasers	2068051 Ontario Inc. - Debentures	913,483.00	4,490,862.00
17-May-2005	27 Purchasers	2070452 Ontario Inc. - Common Shares	0.00	6,367,945.00
31-Dec-2004	Royal Bank of Canada	Ashmore Asian Recovery Fund - Shares	300,900.00	10,760.00
04-May-2005	ROYCAP;Inc.	Balaton Power Inc. - Common Shares	53,832.50	100,000.00
06-May-2005	5 Purchasers	Biosign Technologies Inc. - Common Shares	400,000.00	1,064,679.00
18-May-2005	6 Purchasers	Blackpool Explorations Ltd. - Units	828,000.00	1,510,000.00
19-May-2005	Linda Marquardt	Bowood Energy Corp. - Common Shares	10,000.00	10,000.00
19-May-2005	David Guiney	Bowood Energy Corp. - Flow-Through Shares	10,000.00	8,000.00
18-May-2005	ENPAR Technologies Inc.	Canadian Golden Dragon Resources Ltd. - Common Shares	50,000.00	333,333.00
19-May-2005	5 Purchasers	CareVest Blended Mortgage Investment Corporation - Preferred Shares	293,068.00	293,068.00
19-May-2005	6 Purchasers	CareVest First Mortgage Investment Corporation - Preferred Shares	760,000.00	760,000.00
19-May-2005	Francis Ralph Simpson Janice Ann Simpson	CareVest Second Mortgage Investment Corporation - Preferred Shares	200,000.00	200,000.00
13-May-2005	Gregory S. Belton	Castek Software Inc. - Convertible Debentures	2,046.80	2,047.00
25-May-2005	4 Purchasers	CCR Technologies Ltd. - Convertible Debentures	5,000,000.00	4.00
25-May-2005	4 Purchasers	CCR Technologies Ltd. - Debentures	5,000,000.00	5,000,000.00
12-May-2005	17 Purchasers	Celtic Exploration Ltd. - Common Shares	10,408,875.00	1,015,500.00
18-May-2005	Elizabeth Pew Kazimierz (Ken) Gruchalla	Central Alberta Well Services Corp. - Convertible Debentures	175,000.00	195.00

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
16-May-2005	9 Purchasers	Clearly Canadian Beverage Corporation - Common Shares	1,402,041.00	1,110,000.00
12-May-2005	14 Purchasers	Commercial Solutions Inc. - Common Shares	5,000,000.00	2,000,000.00
16-May-2005	3 Purchasers	Covarity Inc. - Promissory note	0.00	3.00
16-May-2005	3 Purchasers	Covarity Inc. - Warrants	5,303,031.00	5,303,031.00
20-Apr-2005	10 Purchasers	CriticalControl Solutions Corp. - Units	810,950.00	3,243,800.00
17-May-2005	Barrick Gold Corporation	Diamondex Resources Ltd. - Units	6,795,000.00	7,550,000.00
16-May-2005	BPL Corp.	DynaMotive Energy Systems Corporation - Common Shares	61,030.00	113,018.00
16-May-2005	BPL Corp.	DynaMotive Energy Systems Corporation - Warrants	29,883.00	47,434.00
08-Apr-2005	32 Purchasers	Exploration Tom Inc. - Flow-Through Shares	377,929.00	2,122,071.00
17-May-2005	Daniel Farrell Philip Sifft	Firestone Ventures Inc. - Units	20,100.00	134,000.00
08-Mar-2005	15 Purchasers	Fluid Audio Network, Inc. - Stock Option	650,000.00	650,000.00
19-May-2005	6 Purchasers	Freewest Resources Canada Inc. - Common Shares	1,100,000.00	3,437,500.00
25-May-2005	3 Purchasers	Fronteer Development Group Inc. - Common Shares	3,499,999.25	1,272,727.00
12-May-2005	14 Purchasers	Galleon Energy Inc. - Flow-Through Shares	17,925,000.00	1,434,000.00
12-May-2005	26 Purchasers	Galleon Energy Inc. - Subscription Receipts	9,130,000.00	913,000.00
18-May-2005	6 Purchasers	Gitennes Exploration Inc. - Units	224,905.05	499,789.00
16-May-2005	3 Purchasers	Global Development Resources Inc. - Common Shares	1,000,000.00	3,333,333.00
16-May-2005	3 Purchasers	Global Development Resources Inc. - Common Shares	1,000,000.00	3,333,333.00
18-May-2005	ITW Canada	GMO Developed World Equity Investment Fund PLC - Units	68,873.76	2,472.00
18-May-2005	Wolfden Resources Inc.	Halo Resources Ltd. - Common Shares	0.00	2,100,000.00
29-Apr-2005 to 04-May-2005	11 Purchasers	HFI Growth Fund - Trust Units	1,623,100.00	162,310.00

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
04-May-2005	Diana Sare Robert Sare	HFI Income Fund - Trust Units	484,000.00	48,400.00
19-May-2005	Northwater Capital Management Inc.	iShares, Inc. - Units	18,062.78	200.00
20-May-2005	31 Purchasers	IG Realty Investments Inc. - Common Shares	8,462,760.95	77,747.00
19-May-2005	Jevco Insurance Co.	Imperial Metals Corporation - Debentures	1,500,000.00	103,578.00
09-May-2005 to 12-May-2005	6 Purchasers	IMAGIN Diagnostic Centres, Inc. - Common Share Purchase Warrant	50,000.00	50,000.00
25-May-2005	Rohit Sehgal	International Nickel Ventures Inc. - Common Share Purchase Warrant	45,000.00	45,000.00
15-Apr-2005	6 Purchasers	Ivanhoe Energy Inc. - Special Warrants	6,200,000.00	2,000,000.00
18-May-2005	44 Purchasers	Kaboose Inc. - Special Warrants	3,618,933.50	2,783,795.00
15-May-2005	3 Purchasers	Kingwest Avenue Portfolio - Units	656,760.00	26,690.00
05-Apr-2005	Shelley Joy Aubry Robert Anthony Slykhuis	Lantzville Foothills Estates Inc. - Preferred Shares	20,000.00	20,000.00
10-May-2005	BMO Nesbitt Burns Inc.	Lazard Ltd. - Units	250,000.00	10,000.00
26-May-2005	Canadian Science and Technology Growth Fund Inc.	Mathis Instruments Ltd. - Common Shares	11.36	11,363.00
24-Dec-2004	Canadian Science and Technology Growth Fund	Mathis Instruments Ltd. - Common Shares	11.36	11,363.00
10-May-2005	Christine Shannon	Meston Resources Inc. - Units	320,000.00	47.00
19-May-2005	Glagau Enterprises Inc.	Natural Valley Farms Inc. - Common Shares	70,000.00	70,000.00
20-May-2005	Gail Keeler Nick Keeler	O'Donnell Emerging Companies Fund - Units	1,000.00	137.00
12-May-2005	3 Purchasers	Pacific North West Capital Corp. - Common Shares	1,000,000.00	2,500,000.00
19-Apr-2004	1045423 Ontario Ltd.	Palos Trading Fund L.P. - Units	24,047.00	20,293.00
24-Jun-2004 to 01-Oct-2004	George T. Kaneb	Palos Trading Fund L.P. - Units	1,198,959.00	995,483.00
04-Jun-2004	Esther Koningsberg	Palos Trading Fund L.P. - Units	150,000.00	124,054.00
14-Mar-2004	1113589 Ontario Inc.	Palos Trading Fund L.P. - Units	500,000.00	38,547.00

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
29-Jun-2004	Paige Kaneb	Palos Trading Fund L.P. - Units	50,000.00	41,946.00
27-Sep-2004	Weaton Holdings Ltd.	Palos Trading Fund L.P. - Units	2,000,000.00	1,589,320.00
01-Oct-2004	Wheaton Holdings Ltd.	Palos Trading Fund L.P. - Units	84,517.34	84,517.00
04-Jan-2004 to 24-Oct-2004	Thor Johannsen	Palos Trading Fund L.P. - Units	911,906.00	522,206.00
04-Jan-2005 to 01-Oct-2004	Sandy Pritchard	Palos Trading Fund L.P. - Units	114,277.00	95,720.00
29-Apr-2004 to 21-Oct-2004	RBC Dominion Securities "In Trust" Wisenthal Joint Property Trust	Palos Trading Fund L.P. - Units	175,195.16	152,899.00
25-Mar-2004 to 27-Sep-2004	Paul Marleau	Palos Trading Fund L.P. - Units	120,000.00	98,555.00
12-Aug-2004 to 25-Mar-2004	Lisa Kaneb	Palos Trading Fund L.P. - Units	263,009.00	236,454.00
23-Mar-2004 to 23-Nov-2004	Gus Kan Inc.	Palos Trading Fund L.P. - Units	2,985,854.00	2,028,755.00
23-Mar-2004 to 19-Apr-2004	Global (GMPC) Holdings Inc.	Palos Trading Fund L.P. - Units	2,620,206.54	2,407,415.00
25-Mar-2004	Elaine Kaneb	Palos Trading Fund L.P. - Units	83,101.00	67,576.00
25-Mar-2004 to 11-May-2004	Cotton Mill Corp.	Palos Trading Fund L.P. - Units	409,223.00	351,263.00
04-Jan-2004 to 23-Nov-2004	Anshel Corp.	Palos Trading Fund L.P. - Units	610,529.00	501,823.00
24-Jan-2004 to 01-Oct-2004	Alexandra Kaneb	Palos Trading Fund L.P. - Units	356,515.00	295,558.00
24-Jun-2004	George Kaneb	Palos Trading Fund L.P. - Units	30,000.00	25,168.00
24-Jun-2004 to 31-Oct-2004	George Kaneb	Palos Trading Fund L.P. - Units	100,000.00	84,104.00
23-Nov-2004	Winclare Management	Palos Trading Fund L.P. - Units	150,000.00	118,708.00
27-May-2004	Torben Johannsen	Palos Trading Fund L.P. - Units	35,000.00	24,968.00
03-Jun-2004	Rachelle Gold	Palos Trading Fund L.P. - Units	150,000.00	124,054.00

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
24-Oct-2004	Pathonic Inc.	Palos Trading Fund L.P. - Units	750,000.00	610,501.00
24-Jun-2004	Paige Kaneb	Palos Trading Fund L.P. - Units	100,000.00	84,104.00
27-Sep-2004	Luc Marleau Holdings Inc.	Palos Trading Fund L.P. - Units	25,000.00	19,804.00
27-May-2004	Lilian Johannsen	Palos Trading Fund L.P. - Units	40,000.00	34,250.00
17-May-2004	Francis K. Hopkins	Palos Trading Fund L.P. - Units	150,000.00	116,886.00
21-Oct-2004	F. Doreen Simpson	Palos Trading Fund L.P. - Units	100,000.00	81,463.00
13-May-2005	14 Purchasers	Pioneering Technology Inc. - Units	396,500.00	1,321,666.00
18-May-2005	4 Purchasers	Rapid Laboratory Microsystems Inc. - Preferred Shares	250,000.00	1,726,280.00
20-May-2005	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	914.15	125.00
19-May-2005	3 Purchasers	Rock Well Petroleum Inc. - Units	140,000.00	280,000.00
17-May-2005	Gordon Orlikow	Sable Resources Ltd. - Units	12,000.00	40,000.00
20-May-2005	6 Purchasers	Shift Networks Inc. - Units	250,000.00	2,500,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc	Shoplogix Inc. - Preferred Shares	250,000.00	250,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc.	Shoplogix Inc. - Preferred Shares	4,000,000.00	4,000,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc	Shoplogix Inc. - Preferred Shares	500,000.00	500,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc	Shoplogix Inc. - Preferred Shares	100,000.00	100,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc	Shoplogix Inc. - Preferred Shares	500,000.00	500,000.00
17-May-2005	EdgeStone Capital Venture Fund II Nominee Inc	Shoplogix Inc. - Warrants	1.00	1,337,500.00
20-May-2005	3 Purchasers	Spring 2004-1 Income Fund - Trust Units	0.00	171,800.00
19-May-2005	17 Purchasers	Spring 2004-1 Income Fund - Trust Units	5,687,500.00	875,000.00
20-May-2005	Christene DeGasperies	Spring 2004-1 Income Fund - Trust Units	0.00	28,000.00
06-May-2005	3 Purchasers	Sterling Gold Corp. - Common Shares	12,600.00	105,000.00
16-May-2005 to 19-May-2005	7 Purchasers	Strand Corus Investment Trust - Trust Units	325,000.00	26.00

Transaction Date	Purchaser	Security	Total Pur. Price ($)	No. of Securities
19-May-2005	Sari Stolow	Strand King Edward Bay Investment Trust - Units	25,000.00	2.00
18-May-2005	JMS Capital Corp.	Talware Networx Inc. - Convertible Debentures	300,000.00	300,000.00
11-May-2005	10 Purchasers	Terex Resources Inc. - Common Shares	270,000.00	2,700,000.00
20-May-2005	Newmont Mining Corporation of Canada Limited	Terraco Gold Corp. - Common Shares	18,000.00	100,000.00
13-May-2005	Dundee Bancorp Inc.	Torque Energy Inc. - Common Shares	70,000.00	700,000.00
19-May-2005	5 Purchasers	Trafalgar Trading Limited - Units	125,000,000.00	125,000,000.00
16-Apr-2004	22 Purchasers	UBS (CH) Equity Fund Great Britain - Units	150,598.00	198.00
25-Jun-2004 to 18-Mar-2005	79 Purchasers	UBS (CH) Equity Fund Japan - Units	1,441,681.64	8,729.00
20-May-2005	Canada Pension Plan Investment Board Sterra Limited Partnership	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	6,755,202.00	6,755,202.00
26-May-2005	Sandip Rana	Wave Exploration Corp. - Units	3,500.00	35,000.00
12-May-2005	4 Purchasers	Winslow Resources Inc. - Common Shares	26,600.00	66,500.00
12-May-2005	6 Purchasers	Winslow Resources Inc. - Common Shares	435,048.00	1,318.00

Chapter 9

Legislation

9.1.1 Ontario Regulation 215/04 Amending Reg. 1015

ONTARIO REGULATION
MADE UNDER THE
SECURITIES ACT
AMENDING REG. 1015 OF R.R.O. 1990
(GENERAL)

Note: Regulation 1015 has previously been amended. Those amendments are listed in the Table of Regulations – Legislative History Overview which can be found at www.e-laws.gov.on.ca.

1. (1) Subsection 2 (2) of Regulation 1015 of the Revised Regulations of Ontario, 1990 is revoked.

(2) Subsections 2 (5), (6) and (7) of the Regulation are revoked.

2. (1) Subsection 3 (1) of the Regulation is revoked.

(2) Subsection 3 (1.1) of the Regulation is amended by striking out "that is not an investment fund" in the portion before clause (a).

3. Clause 4 (a) of the Regulation is amended by adding "or" at the end of subclause (i) and by revoking subclauses (ii) and (iii) and substituting the following:

(ii) Item 7 of Form 51-102F3 of National Instrument 51-102 Continuous Disclosure Obligations; or

4. Section 6 of the Regulation is revoked.

5. Sections 83 to 94 of the Regulation are revoked.

6. Part IX of the Regulation is revoked.

7. (1) Paragraph 8 of subsection 240 (2) of the Regulation is revoked and the following substituted:

8. The sale or redemption of securities of mutual funds.

(2) Paragraph 9 of subsection 240 (2) of the Regulation is revoked.

9. Form 27 to the Regulation is revoked.

10. Form 30 to the Regulation is revoked.

11. This Regulation comes into force on the day that the rule made by the Ontario Securities Commission on January 25, 2005 entitled "National Instrument 81-106 *Investment Fund Continuous Disclosure*" comes into force.

Made by:

Ontario Securities Commission:

"Robert L. Shirriff"
Robert L. Shirriff, Commissioner

"Paul M. Moore"
Paul M. Moore, Vice-Chair

Date made: January 25, 2005

I certify that I have approved this Regulation.

"Gerry Phillips"
Chair of the Management Board of Cabinet

Date approved: May 2, 2005

Note: The rule made by the Ontario Securities Commission on January 25, 2005 entitled "National Instrument 81-106 *Investment Fund Continuous Disclosure*" comes into force on June 1, 2005.

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Aeroplan Income Fund
Principal Regulator - Quebec
Type and Date:
Amended and Restated Preliminary Prospectus dated May 30, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Genuity Capital Markets
BMO Nesbitt Burns Inc.
TD Securities Inc.
Scotia Capital Inc.
Goldman Sachs Canada Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Orion Securities Inc.
Raymond James Ltd.
Research Capital Corporation
Versant Partners Inc.
Westwind Partners inc.
Promoter(s):
Aeroplan Limited Partnership
Project #786417

Issuer Name:
Bell Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
$3,000,000.00 - Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #789147

Issuer Name:

Clarica Alpine Growth Equity Fund
Clarica Premier Mortgage Fund
CI Global Conservative Portfolio
CI Global Balanced Portfolio
CI Global Maximum Growth Portfolio
Signature Select Canadian Fund
Signature Canadian Balanced Fund
Clarica Canadian Small/Mid Cap Fund
CI Canadian Investment Corporate Class
CI Global Value Corporate Class
CI International Value Corporate Class
Harbour Corporate Class
Signature Select Canadian Corporate Class
Synergy Canadian Corporate Class
Signature Income & Growth Corporate Class
CI Canadian Bond Corporate Class
CI Short-Term Corporate Class
CI Global Corporate Class
Signature Dividend Corporate Class
Signature High Income Corporate Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 17, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
Class F Units, Class I Units, Class Z Units, and I Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #784613

Issuer Name:
Capital Maniwaki inc.
Principal Regulator - Quebec
Type and Date:
Preliminary CPC Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
Minimum Offering: $500,001.00 or 3,333,340 Common Shares; Maximum Offering: $750,000.00 or 5,000,000 Common Shares Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Investro Securities Inc.
Union Securities Ltd.
Promoter(s):
M. Claude Chassé
Project #789200

Issuer Name:
Clarington Diversified Income Fund
Clarington Global Equity Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 25, 2005
Mutual Reliance Review System Receipt dated May 25, 2005
Offering Price and Description:
Series O Units and Series F Shares
Underwriter(s) or Distributor(s):
ClaringtonFunds Inc.
Promoter(s):
Clarington Sector Fund Inc.
Project #787914

Issuer Name:
Core IncomePlus Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 25, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Wellington West Capital Inc.
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
Raymond James Ltd.
Acadian Securities Incorporated
Berkshire Securities Inc.
Middlefield Capital Corporation
Research Capital Corporation
Promoter(s):
Middlefield Group Limited
Middlefield Core Incomeplus Management Limited
Project #788378

Issuer Name:
Ethical Advantage 2010 Fund
Ethical Advantage 2015 Fund
Ethical Advantage 2020 Fund
Ethical Advantage 2030 Fund
Ethical Advantage 2040 Fund
Ethical Tax Managed American Equity Fund

Issuer Name:
Iron Springs Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated May 20, 2005
Mutual Reliance Review System Receipt dated May 25, 2005
Offering Price and Description:
$300,000.00 - 1,200,000 Common Shares Price: $0.25 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Brian E. Bayley
Project #787684

Issuer Name:
MSP FairLane Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Raymond James Ltd.
Wellington West Capital Inc.
First Associates Investments Inc.
Richardson Partners Financial Limited
Promoter(s):
Mackenzie Financial Corporation
Project #789566

Issuer Name:
Petrofund Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
$75,737,500.00 - 4,150,000 Trust Units Price: $18.25 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
GMP Securities Ltd.
Raymond James Ltd.
First Associates Investments Inc.
Promoter(s):
-
Project #788678

Issuer Name:
Pizza Pizza Royalty Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
Promoter(s):
Pizza Pizza Limited
Project #790114

Issuer Name:
Poscor Metals Group Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 25, 2005
Mutual Reliance Review System Receipt dated May 25, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Promoter(s):
Poscor Mill Services Corp.
Project #787859

Issuer Name:
ProMetic Life Sciences Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
$ * - * Subordinate Voting Shares Price: $ * per Subordinate Voting Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
First Associates Investment Inc.
Octagon Capital Corporation
Sprott Securities Inc.
Promoter(s):
-
Project #788700

Issuer Name:
Quadrus Fixed Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #789137

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ssuer Name:
Saxon Financial Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
CMA Holdings Incorporated
Project #788606

Issuer Name:
Scorpio Capital Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated May 20, 2005
Mutual Reliance Review System Receipt dated May 25, 2005
Offering Price and Description:
Minimum Offering: $500,000.00 or 3,333,333 Common Shares; Maximum Offering: $1,900,000.00 or 12,666,667 Common Shares Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Credifinance Securities Limited
Kingsdale Capital Markets Inc.
Promoter(s):
-
Project #787484

Issuer Name:
Superior Plus Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
$150,000,000.00 - 5.75% Convertible Unsecured Subordinated Debentures Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #788849

Issuer Name:
The Newport Canadian Equity Fund
The Newport Fixed Income Fund
The Newport International Equity Fund
The Newport U.S. Equity Fund
The Newport Yield Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated May 27, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Newport Investments Counsel Inc.
Newport Investment Counsel Inc.
Promoter(s):
Newport Investments Counsel Inc.
Project #789204

Issuer Name:
Whiterock Real Estate Investment Trust
Principal Regulator - Manitoba
Type and Date:
Preliminary Prospectus dated May 24, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
TRUST UNITS: Minimum 2,325,581 ($5,000,000) up to a Maximum of 11,627,906 ($25,000,000.00)
$2.15 per Trust Unit and 5 YEAR 8% SUBORDINATED CONVERTIBLE DEBENTURES
in the Aggregate Principal Amount of $10,000,000.00 (No Minimum) $1,000.00 per Debenture
Minimum: $5,000,000.00; Maximum: $35,000,000.00
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Canaccord Capital Corporation
Promoter(s):
CPII Inc.
Project #788331

Issuer Name:
Whiterock Real Estate Investment Trust
Principal Regulator - Manitoba
Type and Date:
Amended and Restated Preliminary Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
Minimum 2,325,581 ($5,000,000) up to a Maximum of 11,627,906 ($25,000,000)
$2.15 per Trust Unit and 5 YEAR 8% SUBORDINATED CONVERTIBLE DEBENTURES
in the Aggregate Principal Amount of $10,000,000 (No Minimum) $1,000 per Debenture
Minimum: $5,000,000.00; Maximum: $35,000,000.00
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Canaccord Capital Corporation
Promoter(s):
CPII Inc.
Project #788331

Issuer Name:
Zermatt Capital Inc.
Principal Regulator - Quebec
Type and Date:
Amendment #1 dated May 31, 2005 to Preliminary CPC Prospectus dated May 18, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
Minimum Offering: $1,250,000 or 6,250,000 Class A Common Shares; Maximum Offering: $1,800,000 or 9,000,000 Class A Common Shares Price: $0.20 per Class A Common Share Minimum Subscription: $1,000 or 5,000 Class A Common Shares
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
Promoter(s):
Louis G. Plourde
Project #785469

Issuer Name:
Adjustable Rate MBS Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
Maximum 10,000,000 Units @ $25 per Unit
$250,000,000.00
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Berkshire Securities Inc.
McFarlane Gordon Inc.
Promoter(s):
Claymore Investments, Inc.
Project #771885

Issuer Name:
Avnel Gold Mining Limited
Type and Date:
Final Prospectus dated May 27, 2005
Receipted on May 31, 2005
Offering Price and Description:
Minimum 11,666,667 Units (C$8,866,667.00); Maximum 20,000,000 Units (C$15,200,000) Price: C$0.76 per Unit
Underwriter(s) or Distributor(s):
Credifinance Securities Limited
Dominick & Dominick Securities Inc.
Promoter(s):
Elliott Associates L.P.
Hambledon Inc.
Merlin Group Securities Limited
Project #741575

Issuer Name:
B Split II Corp.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 25, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
2,237,816 Class B Preffered Shares @ $9.75 per share = $21,818,706
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #768594

Issuer Name:
Baytex Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 30, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
$80,000,000.00 - 6.50% Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
Raymond James Ltd.
National Bank Financial Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #787061

Issuer Name:
Dynamic Canadian High Yield Bond Fund I
Principal Regulator - Ontario
Type and Date:
Amendment #3 dated May 27, 2005 to Simplified Prospectus and Annual Information Form dated January 28, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Goodman & Company, Investment Counsel Ltd.
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
Goodman & Company, Investment Counsel Ltd.
Project #711713

Issuer Name:
E.D. Smith Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 30, 2005
Offering Price and Description:
$110,500,000.00 - 11,050,000 Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Genuity Capital Markets
Promoter(s):
EDS Holdings Inc.
Project #776409

Issuer Name:
Mises Capital Corporation
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
$1,000,000.00 (5,000,000 Common Shares) Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Stephen H. Johnston
Project #742117

Issuer Name:
Nexen Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Shelf Prospectus dated May 31, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
U.S.$1,500,000,000.00 - Common Shares Senior Debt Securities Subordinated Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #784856

Issuer Name:
Red Tusk Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated May 30, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
$2,025,000.00 - 4,500,000.00 Common Shares Price: $0.45 per Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
David R.C. McMillan
Project #780317

Issuer Name:
RYJENCAP INC.
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated June 27, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
$1,000,000.00 - 10,000,000 COMMON SHARES Preice: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Terry Rogers
Mark Ferguson
Don Terry
Brent Atkinson
Project #777996

Issuer Name:
Sutcliffe Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 31, 2005
Offering Price and Description:
Maximum Offering: 8,000,000 Units ($2,000,000.00); Minimum Offering: 6,000,000 Units ($1,500,000.00) Price: $0.25 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #683329

Issuer Name:
Symmetry Canadian Stock Capital Class
Symmetry US Stock Capital Class
Symmetry EAFE Stock Capital Class
Symmetry Specialty Stock Capital Class
Symmetry Managed Return Capital Class
Mackenzie Financial Capital Corporation
Symmetry Registered Fixed Income Pool
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated May 20, 2005 to Simplified Prospectuses and Annual Information Forms dated February 4, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #728993

Issuer Name:
Symmetry Canadian Stock Capital Class
Symmetry US Stock Capital Class
Symmetry EAFE Stock Capital Class
Symmetry Specialty Stock Capital Class
Symmetry Managed Return Capital Class
Mackenzie Financial Capital Corporation

Symmetry Registered Fixed Income Pool
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated May 20, 2005 to Simplified Prospectuses and Annual Information Forms dated February 4, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #726599

Issuer Name:
Tahera Diamond Corporation (formerly Tahera Corporation)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated May 27, 2005
Offering Price and Description:
$22,000,020.00 - 52,381,000 Units Price: $0.42 per Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
TD Securities Inc.
Dundee Securities Corporation
Westwind Partners Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #785923

Issuer Name:
Trinidad Energy Services Income Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 26, 2005
Mutual Reliance Review System Receipt dated May 26, 2005
Offering Price and Description:
$119,999,991.00 - 10,810,810 Trust Units Price: $11.10 per Trust Unit
Underwriter(s) or Distributor(s):
Raymond James Ltd.
CIBC World Markets Inc.
TD Securities Inc.
First Associates Investments Inc.
Haywood Securities Inc.
Sprott Securities Inc.
Wellington West Capital Markets Inc.
Promoter(s):
-
Project #785504

Issuer Name:
Global DiSCS Trust 2005-1
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated February 28th, 2005
Withdrawn on May 12th, 2005
Offering Price and Description:
$* - * Units
Price: $25.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Canaccord Capital Corporation
Desjardins Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Berkshire Securities Inc.
Wellington West Capital Inc.
Promoter(s):
RBC Dominion Securities Inc.
Project #744489

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Futureworth Financial Planners Corp.	Mutual Fund Dealer	May 24, 2005
New Registration	New Amsterdam Partners, LLC	International Advisor (Investment Counsel and Portfolio Manager)	May 30, 2005

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Notice - Market Regulation Services Inc. sets hearing date for contested hearing *In the Matter of RBC Dominion Securities Inc* et al.

May 30, 2005

RS NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date for contested hearing *In the Matter of RBC Dominion Securities Inc. ("RBC DS"), David Singh, Edward Boyd, Peter Dennis and Ian MacDonald.*

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS commencing on July 27, 2005 at 9:30 a.m., or as soon thereafter as the Hearing can be held, at the offices of ADR Chambers Inc., 112 Adelaide Street East, 2nd Floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to determine whether RBC DS contravened Rule 2.2(2)(b) of the Universal Market Integrity Rule ("UMIR") and whether the individuals contravened UMIR 2.2(2)(b), for which they are liable pursuant to UMIR 10.4(1)(a).

RS alleges that on August 11, 2004, RBC DS and the individuals engaged in a manipulative and deceptive method of trading when they effected trades in shares of Royal Bank of Canada and Bank of Montreal in the Market On Close Facility of the Toronto Stock Exchange which involved no change of beneficial or economic ownership, contrary to UMIR Rule 2.2(2)(b). It is alleged that the individuals are liable for the contravention of UMIR 2.2(2)(b) pursuant to UMIR 10.4(1)(a).

The Notices of Hearing and Statement of Allegations can be found on RS's website.

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

Reference: Jane P. Ratchford
Chief Counsel, Eastern Region
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.2 RS Notice regarding RS Proposed Amendments to the Universal Market Integrity Rules and Request for Comments

**NOTICE OF THE RECOGNIZING REGULATORS OF MARKET REGULATION SERVICES INC. (RS)
REGARDING THE RS PROPOSED AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES (UMIRS)
RELATING TO TRADE-THROUGH OBLIGATIONS**

Today, the British Columbia Securities Commission, the Manitoba Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers (together with the Alberta Securities Commission, the Recognizing Regulators or we) are publishing RS's request for comments on their proposed amendments to the UMIRs regarding trade-through obligations. As the Recognizing Regulators are currently reviewing the issues related to trade-through obligations, the public comment process for the UMIR amendments will be amended slightly (see below).

On May 12, 2005, the Ontario Securities Commission, on behalf of the Recognizing Regulators, issued a press release describing the need for fairness and transparency regarding the trade-through issue. The press release stated that the debate regarding trade-through protection must include a discussion of all issues, including who should be subject to a trade-through rule and how it should be implemented. It is important to present and discuss all options, of which the RS proposal is one. As a result, and as noted in our press release, we intend to issue a discussion paper in the near future that will outline the issues that need to be considered and addressed before concluding whether new rules are necessary.

Also on May 12, 2005, RS issued a press release focussing on the fact that the change in market structure and the introduction of a new alternative trading system could impact retail investors. No evidence was presented by RS to the Recognizing Regulators to demonstrate there would be immediate harm to the market if the proposed amendments were not immediately implemented. We have asked RS to monitor the market and report back to us monthly on the trading patterns that emerge and whether they have noted anything they believe constitutes harm to the market.

The trade-through issue is important to all participants in the market and must be discussed in a transparent fashion so that all views are heard. As a result, the Recognizing Regulators are of the view that presenting one solution without discussing the alternatives may lead to inefficient regulation and we are of the view that the filing of this proposal by RS is premature. Any amendments to the Universal Market Integrity Rules will be considered by the Recognizing Regulators only after a full and transparent consultation on trade-through issues is conducted.

In the interests of transparency, we are publishing RS's proposal. Comments received in response to this proposal will be considered in the context of our review of the issues. Further, we encourage commenters to provide consolidated comments on both the RS proposal and our discussion paper to reduce duplication of effort. Consequently, we have extended the comment period for RS's proposal, set out as June 30, 2005 in the proposal, to coincide with the comment period in the Recognizing Regulators' discussion paper. We will specify a common deadline for comments on both RS's proposal and the Recognizing Regulators' discussion paper in a notice accompanying the discussion paper.

**RS MARKET INTEGRITY NOTICE – REQUEST FOR COMMENTS –
INTERIM PROVISIONS RESPECTING TRADE-THROUGH OBLIGATIONS**

REQUEST FOR COMMENTS

INTERIM PROVISIONS RESPECTING TRADE-THROUGH OBLIGATIONS

Summary

On May 1, 2005, the Board of Directors (the "Board") of Market Regulation Services Inc. ("RS") confirmed the approval of amendments to the Rules and Policies under the Universal Market Integrity Rules ("UMIR") to require a Participant or an Access Person to make reasonable efforts to fill better-priced orders on marketplaces prior to executing a trade at an inferior price on another marketplace or organized regulated market (the "Trade-Through Amendments"). These obligations would apply to:

- an Access Person when trading directly on a marketplace or an organized regulated market and the order is not being handled by a registered dealer; and
- a Participant when trading a principal order, non-client order or client order.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and, in Quebec, by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of the

National Instrument 21-101 – Marketplace Operation (the "Marketplace Operation Instrument") and National Instrument 23-101 – Trading Rules (the "Trading Rules").

As a regulation services provider, RS administers and enforces trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSX V") and Canadian Trading and Quotation System, each as a recognized exchange ("Exchange"); and for Bloomberg Tradebook Canada Company and Liquidnet Canada Inc., each as an alternative trading system ("ATS").

The Rules Advisory Committee of RS ("RAC") reviewed the Trade-Through Amendments and recommended their adoption by the Board. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community. At the request of the Board, the Working Group on Access Persons, a group comprised of members of the Board, RAC and staff of RS formed in September of 2004 to review a number of issues surrounding the application of UMIR to persons with trading access to a marketplace, also reviewed the Trade-Through Amendments and recommended their adoption by the Board.

The Trade-Through Amendments will become effective upon the approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the Trade-Through Amendments should be in writing and delivered by **June 30, 2005** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: 416.595.8940
e-mail: cpetlock@osc.gov.on.ca

Monitoring Trade-Throughs and Future Actions

UMIR is built around the premise that a fair and orderly market is one which respects the notion that the best-priced orders should trade first as orders compete for execution. Investor confidence in the integrity of the marketplace can only be assured when individual investors believe that their orders have achieved best price. The Board determined that the introduction of multiple competitive marketplaces in circumstances where this principle was not respected and enforced represented a substantial risk of material harm to retail and other investors, marketplaces and those persons having trading access to marketplaces. For this reason, notice was provided to the Recognizing Regulators that the Board intended to seek the immediate implementation of the Trade-Through Amendments. On May 12, 2005, the Recognizing Regulators provided notice that they do not agree that immediate implementation of the Trade-Through Amendments is necessary at this time.

As indicated in a press release issued by the Ontario Securities Commission on May 12, 2005, the Recognizing Regulators will undertake an initiative to study and to receive public comment on various aspects of "trade-through" obligations in Canada. The first step in this initiative will be the publication of a concept paper in June of 2005 for a 90-day comment period. While the Recognizing Regulators intend to identify a proposed solution by the fall of 2005, RS is concerned that implementation may not occur until mid-2006 or later. RS supports the initiative by the Recognizing Regulators and RS intends to be an active participant in the review. However, the Board is of the view that, pending the outcome of this initiative, steps should be taken to protect the

orders of retail and other investors from the possibility of being traded-through. ***In the view of the Board, trade-throughs have not been a feature of equity trading in Canada and the practice should not be allowed to develop in the absence of the type of comprehensive review being contemplated by the Recognizing Regulators. The Trade-Through Amendments have been adopted as an interim measure that would, if approved by the Recognizing Regulators, remain in effect pending the implementation of any proposals resulting from the comprehensive review of trade-throughs undertaken by the Recognizing Regulators.***

Prior to the completion of the comprehensive review initiated by the Recognizing Regulators, RS will monitor the incidences of trade-throughs that occur on marketplaces regulated by RS. If the Board concludes, based on the level of trade-throughs or the patterns of trade-through activity that emerge, that material harm to retail and other investors, marketplaces or to those persons having trading access to marketplaces can be demonstrated to the Recognizing Regulators, the Board may request again that the Recognizing Regulators approve the immediate implementation of the Trade-Through Amendments if, at that time, the Trade-Through Amendments have not otherwise been approved by the Recognizing Regulators.

Background

UMIR was introduced to ensure the overall integrity of the Canadian equity trading markets by providing "marketplace neutral" regulation. The Board believes that UMIR as currently drafted does not ensure neutral application to investors of the UMIR provisions relating to "trade-through" obligations as the requirement to honour better-priced orders does not extend to a subscriber to an ATS who is not a registered dealer. Neutral application of trade-through obligations could be achieved either through amendments to UMIR to apply the obligation to all persons with access to the Canadian equity markets or by the securities regulatory authorities imposing the obligation on marketplaces, including exchanges and alternative trading systems, through an applicable national instrument. In the absence of revisions to an applicable national instrument, the only manner in which the Board can address this situation directly is through the Trade-Through Amendments. The Trade-Through Amendments have been adopted as an interim measure that would remain in effect pending the outcome of any comprehensive review of trade-throughs that may be initiated by the CSA.

The substance of the Trade-Through Amendments was initially included in a package of proposals published by RS in Market Integrity Notice 2004-018 – Provisions Respecting "Off-Marketplace" Trades, issued on August 20, 2004. Given the importance of this particular issue, the Trade-Through Amendments have been separated from that package of proposals and are subject to this separate Request for Comments. The balance of the proposals, revised to take account of comments received, has been republished for comment in Market Integrity Notice 2005-012 – Provisions Respecting "Off-Marketplace" Trades, issued by RS on April 29, 2005 (the "Off-Marketplace Proposals").

Trade-throughs have not been an issue in Canada since the "realignment" of Canadian stock exchanges in 2000. Under the realignment:

- the TSX became the sole market for senior equities;
- the TSX V, formed on the amalgamation of the Vancouver Stock Exchange and the Alberta Stock Exchange, became the sole market for venture securities; and
- the Montréal Exchange became the sole market for listed derivatives.

Prior to the realignment, each of the exchanges had requirements that prevented members from "trading through" better-priced orders on their market and provided that members had to honour better bids or offers on other Canadian exchanges. For example, on the TSX, Board of Governor Rule 90-08 provided:

> Members are aware of their fiduciary duty to their client to obtain the best available price. The Exchange also recognizes that members have a duty to the market (and, therefore, a duty to other members) to honour better bids of offers on the Exchange. In order to preserve the integrity of the Exchange's markets, the Board of Governors has rules that a member shall not trade through a better bid or offer by making a transaction on another exchange or market at a price inferior to the posted price on the [TSX]. … Members are also reminded of their responsibility not to trade through better bids or offers on other Canadian exchanges.

With the prospect of multiple marketplaces trading the same securities, the Board adopted the Trade-Through Amendments to ensure that each person with access to the Canadian equity markets will be subject to the same obligation. In the opinion of the Board, the prohibition on trade-throughs, which prohibition has historically been a feature of Canadian markets, should be preserved until the completion of any review by the CSA.

Nature, Purpose and Effect of the Trade-Through Amendments

Rationale for Trade-Through Obligations

A "trade-through" occurs when an investor executes a trade on a marketplace or organized regulated market at a price that is inferior to a price available on another marketplace to which that investor has access. If the investor is selling a security, an inferior price is a price lower than a bid price available on a marketplace to which the investor has access. If the investor is buying a security, an inferior price is a price higher than an ask price available on a marketplace to which the investor has access. In completing the trade at the inferior price, the investor "trades through" the better bid or ask price.

The prices that are traded through usually represent limit orders. For example, an investor may place a limit order on a marketplace to buy a security with a limit price of $20, meaning the investor is willing to pay up to $20 for the security. If another investor sells the same security for $19 on another marketplace or organized regulated market, that investor has traded through the $20 limit order, receiving $1 less than it would have had it traded with the limit order.

Investors may have *bona fide* reasons to execute trades at inferior prices, including greater depth, or perceived certainty or speed of execution, on one marketplace relative to another. However, the practice of trading-through discourages investors from placing limit orders because it reduces the likelihood that limit orders will be filled.

Limit orders are considered to be a necessary component of efficient, liquid markets and play an essential role in the price discovery process. Limit orders provide liquidity and depth to a market, thereby improving market quality for all investors, including investors who place market orders. As many commentators have noted, investors who place limit orders provide a "free option" to other market participants, who may elect to trade with displayed limit orders at any time to take the liquidity that those limit orders offer.

If, however, investors find that their limit orders are being regularly traded through and not filled, they will be less likely to provide this free option and liquidity to other investors because they will not derive any benefit from doing so. In other words, investors who trade through limit orders "free ride" on the price discovery that limit orders provide.

As fewer limit orders are placed, market quality declines for all investors. A market with reduced liquidity caused by fewer limit orders will attract fewer market orders, which in turn makes placing limit orders less attractive, perpetuating the cycle. In the absence of a large number of competitive limit orders, investors placing market orders, and investors negotiating large block trades, would be less confident that the market price represents an accurate benchmark for their orders or trades. Preventing trade-throughs therefore enhances market quality for all investors by encouraging greater use of limit orders. In addition, trade-throughs can damage market integrity by creating a perception of unfairness among investors who place limit orders that are not filled, or who place market orders that are filled at prices inferior to the best bid price or best ask price.

The Board believes that the order of an investor which has been exposed on a marketplace and has contributed to the functioning of the price discovery mechanism should not be intentionally bypassed by other investors prepared to trade at an inferior price. UMIR is built around the premise that a fair and orderly market is one which respects the notion that the best-priced orders should trade first as orders compete for execution. This is of particular concern to the Board because the most likely orders to be bypassed are small limit orders from retail investors. The Board is of the opinion that investor confidence in the integrity of the marketplace can only be assured when individual investors believe that their market orders have achieved best price.

Rationale for the Priority of Better-Priced Orders

In addition to the general rationale for trade-through obligations identified in the preceding section, a number of other UMIR provisions are premised on the expectation that the best-priced order will be executed first regardless of the marketplace on which that order is entered.

Use of "Last Sale Price" Under UMIR

A number of rules in UMIR (such as the rules on short sales, market stabilization and market balancing) employ the standard of the "last sale" price. In each of these cases, the premise underlying the particular rule is that the best-priced order executes first regardless of the marketplace on which that order is entered. This priority in the execution of orders ensures the working of the price discovery mechanism such that the last sale price disclosed on a consolidated market display represents the best approximation of market value of a security at that point in time. The ability of certain transactions to bypass better-priced orders on a marketplace calls into question the validity of the price discovery mechanism for Canadian marketplaces and the policy rationale for tying various trading restrictions to the last sale price. If trades can take place at any price without reference to the best bid price and best ask price, the last sale price loses any significance and merely complicates compliance with trading rules which are tied to the concept of a last sale price.

In approving recent amendments to the rules on market stabilization and market balancing (see Market Integrity Notice 2005-007 – Notice of Amendment Approval – Amendments Respecting Trading during Certain Securities Transactions – March 4, 2005), the Recognizing Regulators accepted that the last sale price represented a better measure of the current market for a security than the best bid price. Similarly, the Ontario Securities Commission adopted the last sale price as the test in OSC Rule 48-501 – Trading during Distributions, Formal Bids and Share Exchange Transactions, which contains similar trading restrictions to those adopted with the amendments to UMIR.

Order Exposure Obligations

Under UMIR, if a Participant receives a client order for 50 standard trading units or less with a value of $100,000 or less the Participant must, subject to certain exceptions listed in Rule 6.3 of UMIR, enter the client order on a marketplace. (For the purposes of UMIR, 50 standard trading units would be: 5,000 units of a security trading at $1.00 or more per unit; 25,000 units of a security trading at $0.10 or more per unit and less than $1.00 per unit; and 50,000 units of a security trading at less than $0.10 per unit.)

In accordance with the provisions of Rule 6.3, the Participant may execute the client order upon receipt at a better price than orders indicated in a consolidated market display. If the Participant executes the client order against a principal order or non-client order at a better price, Rule 8.1 of UMIR requires that the Participant must have taken reasonable steps to ensure that the price is the best available price for the client, taking into account the condition of the market at the time.

The order exposure rule was designed to ensure that clients received the "best price" by:

- requiring their orders to be immediately exposed to the marketplace rather than being held by a Participant to be matched internally with future order flow; and
- supporting the price discovery mechanism.

The ability of certain transactions to bypass better-priced orders on a marketplace undercuts the policy rationale for the requirement for the exposure of certain client orders on a marketplace and complicates the ability of a Participant to satisfy its fiduciary obligations with respect to the handling of the client order.

Clarification of Application of Trade-Through Obligations to Principal Trading

One of the proposals outlined in Market Integrity Notice 2004-018 was to split the "trade-through" obligations of a Participant from its obligations to obtain "best price" when handling a client order. Under the Trade-Through Amendments, Rule 2.4 would specifically preclude a Participant from intentionally "bypassing" better-priced orders on any marketplace on the execution of an order on a marketplace or an organized regulated market at an inferior price. The obligation would apply when the Participant executes a client order, a principal order or a non-client order. This change would clarify an interpretation problem in that Part 2 of Policy 5.2 indicates that the policy provisions against trading through better-priced orders applied to "Participants' principal (inventory) accounts". The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the "outside of Canada" exemption in clause (e) of Rule 6.4. However, the application of this aspect of the Policy is problematic in that Rule 5.2 is limited in its application to "client orders". The Trade-Through Amendments would transfer the provisions related to principal trading from Policy 5.2 to Rule 2.4 in order to clarify the application of "trade-through" obligations to principal trading by a Participant.

Regulatory Inequality under the Current UMIR Trade-Through Provisions

Currently, Participants have an obligation to fill better-priced orders on a Canadian marketplace to which they have access before executing a trade at an inferior price on another Canadian or on a foreign marketplace. However, Access Persons are, in certain circumstances, not subject to the same trade-through obligations as Participants.

UMIR defines an "Access Person" as a person, other than a Participant, who is a subscriber to an ATS or the user of a recognized quotation and trade reporting system ("QTRS"). A "Participant" is defined essentially as a person registered as a dealer who is a member of an Exchange, user of a QTRS or a subscriber to an ATS. The Marketplace Operation Instrument does not limit who may become a subscriber to an ATS. Instead, the Marketplace Operation Instrument merely requires that an ATS must "establish written standards for granting access to trading on it". Form 21-101F2 requires each ATS to provide "A description of classes of subscribers (e.g., dealer, institution, or retail)." As such, depending upon the standards established by an ATS, any person could qualify to be a subscriber and to obtain access to Canadian equity markets through the ATS.

Prospective ATSs have represented to RS that, based on various studies undertaken in the United States, between 90% and 98% of the trading on the ATS should take place "within the context" of prevailing market prices, in which case no trade-through obligations would arise. RS is not able to independently verify the incidence of trade-throughs that may emerge in the absence of the Trade-Through Amendments. Nonetheless, RS would note that that the United States Securities and Exchange

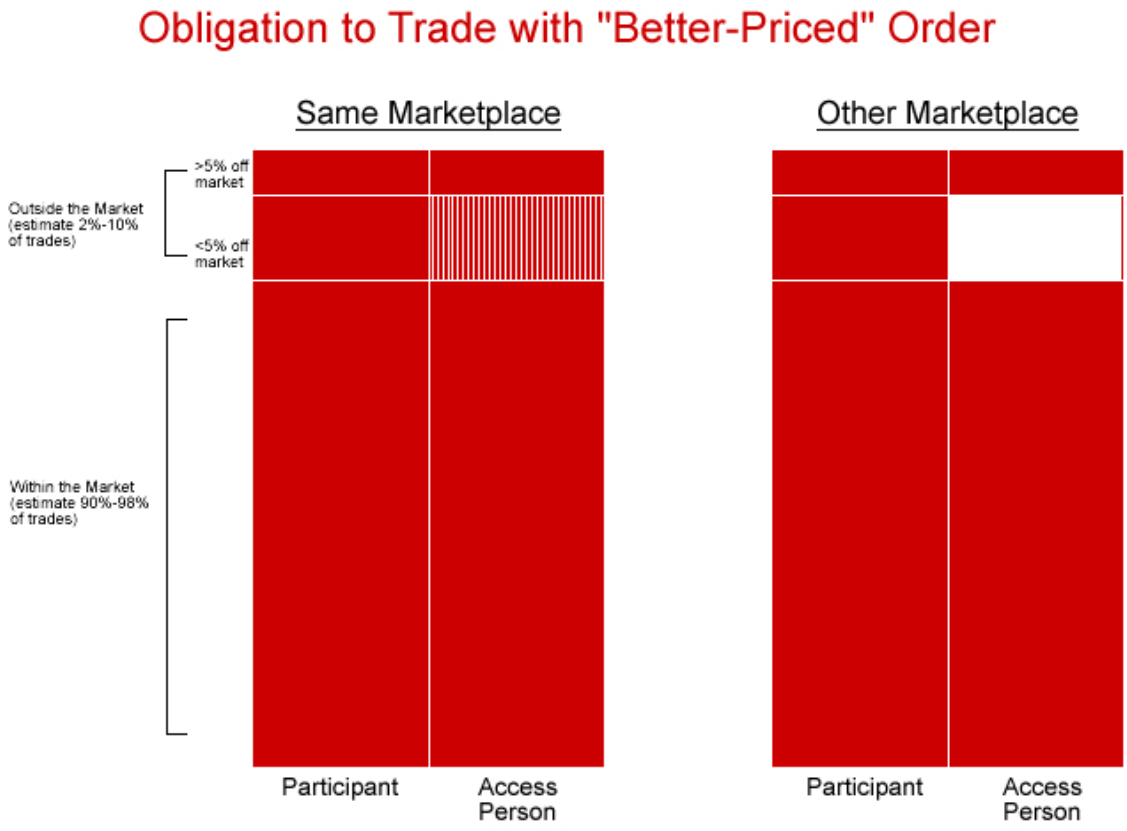
Commission ("SEC") recently extended the trade-through rules in the United States to the trading of Nasdaq stocks even though their statistics show that less than one in 40 trades of a Nasdaq stock was executed at an inferior price as such level of trade-through was not considered acceptable by the SEC.

Trade-through obligations arise in connection with those remaining 2-10% of trades (based on the estimate above) that take place outside of prevailing market prices. Such trades are divided between trades above and below the threshold for triggering a "moving the market" obligation under UMIR. The current UMIR threshold is $1 off market for a stock trading at less than $20 and $2 for a stock trading at $20 or more.

For intended trades that are above this threshold, Part 2 of Policy 2.1 of UMIR requires both Participants and Access Persons to move the market price in an orderly manner and over a period of time. The guideline presently set out in the policy is 10 to 15 minutes for each movement of $1 in price. The time period is designed to allow the market time to respond to the significant movement in price represented by the intended trade. Orders entered during this time period at better prices than the intended trade would be satisfied. The intended trade would only be executed at the intended price if all of the better-priced orders (including those indicated at the start of the trading to move the market and those entered during the time period required to move the market) had been filled. The undisclosed volume of any iceberg order which "emerges" during this time period is treated in the same manner as a new order entered onto a marketplace in response to the trading taking place to move the market price.

One of the provisions of the Off-Marketplace Proposals would change the threshold to more than 5% or 10 trading increments below the best bid price or more than 5% or 10 trading increments above the best ask price and would reduce the guideline for the time period for moving the market to 5 minutes for a price variation that is more than 5% but less than 10%. The time period for moving the market would be 10 minutes if the price variation is 10% or more. In addition, the Off-Marketplace Proposals would limit the obligation to a Participant or Access Person entering a pre-arranged trade or intentional cross (rather than "any" trade as is currently the requirement).

The following chart illustrates the current obligation of a Participant and an Access Person to trade with better-priced orders on the same or other marketplaces, using the new threshold in the Off-Marketplace Proposals.



As the chart illustrates, a Participant is required to trade with better-priced orders indicated on a consolidated market display whether it trades on the same marketplace or on another Canadian or on a foreign marketplace.

As the chart also illustrates, without the Trade-Through Amendments an Access Person intending to make a trade on a marketplace outside the market price on that marketplace by less than 5% or 10 trading increments (indicated by the vertically striped area), would have no obligation to move the market, but that marketplace's allocation rules (as approved by the applicable securities regulatory authority) would determine whether the Access Person is able to bypass better-priced orders on that marketplace when executing the trade.

The gap in this regime (indicated by the white area on the chart) is the absence of any obligation on an Access Person to honour better-priced orders on *other* marketplaces when trading an order on a marketplace at a price that is outside the best bid price or best ask price indicated in a consolidated market display, but less than the threshold to trigger the obligation to move the market.

As a result of this gap (and subject only to compliance with its obligation to move the market where applicable) an Access Person would be able to trade at any price on a marketplace or organized regulated market irrespective of prevailing prices on other Canadian marketplaces to which the Access Person has access. However, if the Access Person were to provide the same order to a Participant as a client order for execution on the same marketplace or organized regulated market, the trade would be subject to the trade-through obligation. RS is concerned that this difference will result in regulatory obligations being a factor in determining the method of trade execution, permitting regulatory arbitrage.

To demonstrate the seriousness that the Board attributes to this issue, the Board authorized the issuance on April 8, 2005 of RS Notice 2005-002 – Commitment to Neutral Trade-Through Protection, confirming its commitment to providing neutral trade-through protection and undertaking to introduce the Trade-Through Amendments. In the opinion of the Board, neither a Participant nor an Access Person would limit their access to multiple marketplaces solely to avoid the application of the Trade-Through Amendments.

"Opting Out" of Trade-Through Obligations

If an Access Person is trading as a client of a Participant, the Participant is under an obligation to obtain the "best price" for the Access Person in accordance with Rule 5.2 of UMIR. In accordance with Policy 5.2, this obligation applies even if the Access Person consents to trading on another marketplace at an inferior price. The Trade-Through Amendments would prevent an Access Person from doing directly what UMIR precludes if the Access Person's order is handled by a Participant as agent for the Access Person. In other words, under the Trade-Through Amendments, Access Persons would not able to opt out of trading at the best available prices.

The question of whether an opt-out should be permitted depends largely on whether the obligation to trade at the best available prices is considered to be a fiduciary obligation which is owed by a dealer to its client (who would be in a position to provide an informed waiver of compliance with that obligation), or is instead an obligation which is owed by a market participant to the markets themselves. The UMIR requirements, as embodied in Policy 5.2, are built upon the Canadian tradition that considered the obligation to trade at the best prices as a general obligation owed by market participants to the markets generally. For example, prior to the realignment of the Canadian stock exchanges in 2000, the TSX required members of the TSX to honour best prices on other Canadian exchanges (even though this requirement took trading activity away from the TSX). The inability of a client to opt out of this requirement demonstrates that the obligation has been viewed historically, and is currently viewed under UMIR, as one that is owed to the markets rather than a fiduciary obligation owed to the client.

Regulatory Alternatives

UMIR Amendments versus Other Amendments

The Board believes that UMIR as currently drafted does not ensure neutral application to investors of the provisions relating to trade-through protection, and thereby creates an unfair situation where a Participant has a greater obligation to ensure that the better-priced orders of any investor are honoured than does an Access Person.

The Board recognizes that there are a number of ways to achieve the neutral application of trade-through obligations. Trade-through obligations could be equalized by the Trade-Through Amendments, which would amend UMIR to make them apply to all parties, including Access Persons, with access to Canadian marketplaces. Alternatively, trade-through obligations could be equalized by an amendment to the Marketplace Operation Instrument and/or the Trading Rules that would require each marketplace to implement policies and procedures to prevent trading through on that marketplace. Neither the Marketplace Operation Instrument nor the Trading Rules currently imposes any trade-through obligations on marketplaces and these instruments may be amended only by the applicable securities regulatory authorities.

As announced in the press release by the Ontario Securities Commission on May 12, 2005, the Recognizing Regulators will be undertaking an initiative to study and to receive public comment on various aspects of "trade-through" obligations in Canada. RS supports this initiative and intends to be an active participant in the review. However, the Board is of the view that, pending the outcome of this initiative, steps must be taken to curtail trade-throughs occurring in an environment of multiple, competitive marketplaces. In the view of the Board, trade-throughs are not presently a feature of equity trading in Canada and the practice should not be allowed to develop prior to the completion of the comprehensive review by the Recognizing Regulators. The only manner in which the Board could address this situation directly was by the adoption of the Trade-Through Amendments.

Applicable Trade-Through Provisions in the United States

Inter-market Trading System

In the United States, the Inter-market Trading System ("ITS") currently provides extremely limited "trade through" protection for transactions occurring on a market in the United States. By the terms of the plan governing the operation of the ITS, each of the exchanges in the United States may trade any stock listed on any other exchange. Each exchange publishes the volume at the best bid and offer. If a trade is to be executed on an exchange outside the best bid and offer on another exchange, a "commitment" must be sent to the exchange with the better price for the disclosed volume. The specialist on the exchange with the better price has between 60 and 120 seconds (though this period has been reduced on a trial basis to 30 seconds) to either accept or reject the commitment. Meanwhile, the trade may proceed on the original exchange at the intended price. "Better-priced" orders at or between the intended price and the disclosed "best" price are ignored.

If the intended trade is a "block trade" (being essentially 10,000 shares or with a value of US $200,000 or more), the "best" priced orders from the other exchanges get filled at the price of the intended trade. The ITS Plan specifies a number of restrictions will apply if the intended trade is to occur prior to the opening of the security on each exchange when the intended price varies from the previous day's closing price by more than a specified amount (which is either US $0.10 or US $0.25 depending upon the security).

NASDAQ, New York Stock Exchange ("NYSE"), American Stock Exchange and each of the regional exchanges are parties to the ITS Plan. However, other markets (such as Island and other alternative trading systems and electronic communications networks) are not parties to the ITS Plan. However, in addition to any "trade through" restrictions imposed by the ITS Plan, each market may have its own rules regarding the ability to execute trades outside of the prevailing bid and ask of orders on that market.

Regulation NMS (National Market System)

The following discussion of Regulation NMS is based on information publicly available as at May 11, 2005. As of that date, the text of Regulation NMS had not been released by the SEC.

The Trade-Through Amendments are consistent with the basic policy objectives of Regulation NMS approved on April 6, 2005 by the SEC. Regulation NMS will, upon implementation commencing in April of 2006, replace the ITS. Regulation NMS establishes a uniform trade-through rule for all market centres that affirms the fundamental principle of price priority. Specifically, Regulation NMS requires self-regulatory organizations (such as the New York Stock Exchange), as well as any market centre that executes orders (including alternative trading systems and electronic crossing networks), to establish procedures to prevent the execution of an order for a national market system stock at a price that is inferior to the best bid or offer displayed by another market centre at the time of execution. The rule would protect automated quotations that are immediately accessible.

During the opening statement on the approval of Regulation NMS, the Chairman of the SEC noted:

> Under the trade-through rule as adopted, exchanges, ECNs and order-routers will be free to compete with one another on any basis they wish so long as they continually respond to the best prices that are immediately available in the market. A market center's response to the best price can take more than one form – it can improve its price to match the best immediately accessible price or it can route all or a portion of its order to interact with the better quotation. The only thing the market center must not do is ignore the better price.

Under earlier SEC proposals for Regulation NMS, a broker-dealer would have been able to opt out of trading with the best displayed prices, as would clients that gave an "informed consent" to do so. This exception has not been included in the final version of Regulation NMS. By prohibiting opt-outs, the SEC appears to have endorsed the approach that the obligation to trade at the best available prices is an obligation which is owed by a market participant to the markets themselves.

The approved version of Regulation NMS expands the scope of trade-through obligations in other ways. While the SEC acknowledged that less than one in forty trades in a Nasdaq stock was executed at an inferior price, the SEC concluded that this level of trade-through was not acceptable. For this reason, the trade-through rule under Regulation NMS will apply to all national

market system stocks, including Nasdaq stocks, and will apply to orders for the account of a broker-dealer as well as for the account of a customer. In addition, Regulation NMS will eliminate existing exceptions allowed under the Inter-market Trading System for large transactions (e.g. 10,000 shares or more) and removes the ability to bypass 100-share quotations.

During his opening remarks on the approval of Regulation NMS, the Chairman of the SEC noted that Regulation NMS is not a "flat prohibition of trade-throughs" since, in a "dynamic marketplace, some level of trading through better quotations may be unavoidable." However, the SEC expects that, over time, the level of trade-throughs will be reduced as market centers continue to modify their trading systems, procedures and requirements. The Trade-Through Amendments also do not impose a "flat prohibition" in that the compliance standard imposed on both Participants and Access Persons is one of "reasonable efforts" and is limited to the better-priced orders on the marketplaces to which they have access. In this way, the Trade-Through Amendments are consistent with the application of trade-through requirements that existed with multiple, competitive marketplaces prior to the realignment of Canadian exchanges in 2000. While Regulation NMS is designed to reduce the incidence of trade-throughs in the United States, the Trade-Through Amendments are intended to preclude the emergence of trade-throughs as a practice in the Canadian equity markets.

The SEC's approach to trade-through obligations in Regulation NMS and RS's approach in the Trade-Through Amendments differ in certain fundamental respects. First, while both Regulation NMS and the Trade-Through Amendments enforce the principle of trade-through protection, the obligation under Regulation NMS is limited to orders at the *best* price on other market centres rather than all orders at *better* prices as contemplated in the Trade-Through Amendments.

Second, Regulation NMS requires market centres to comply with the trade-through requirements. Given that UMIR applies to market participants (being Participants and Access Persons), the Trade-Through Amendments would make those market participants responsible for compliance and would not impose any trade-through obligations on individual marketplaces.

In order to foster discussion on the issue of trade-through protection, this Market Integrity Notice specifically requests comment on the most efficient and cost-effective means of ensuring compliance with the trade-through obligations. See "Specific Matters on Which Comment is Requested - *Role of Marketplaces in Trade-Through Protection"* at the end of this Market Integrity Notice for a listing of questions.

Summary Description of the Trade-Through Amendments

Under the Trade-Through Amendments, both a Participant and an Access Person would be subject to Rule 2.4 and Policy 2.4. Under the Trade-Through Amendments, a Participant or an Access Person would be required to make reasonable efforts to fill better-priced orders on marketplaces upon executing a trade at an inferior price on another marketplace. These obligations apply to:

- an Access Person when trading directly on a marketplace or an organized regulated market and the order is not being handled by a registered dealer; and
- a Participant when trading a principal order, non-client order or client order.

The Trade-Through Amendments would differentiate between the "trade-through" obligation imposed on each Participant and Access Person and the "best price" obligation imposed on each Participant when handling a client order. Part 2 of Policy 5.2 would be replaced and the amendments would confirm that the "best price" obligation imposed on a Participant when handling a client order arises on the entry of the client order on a marketplace and continues until such time as the client order is fully executed. If a client order does not fully execute on entry on a marketplace, a Participant would have an obligation to monitor the best ask price and best bid price on various marketplaces to which the Participant has access to determine if the client could achieve an overall better execution if the unfilled portion of the client order was entered on another marketplace.

The trade-through obligation that would be imposed on a Participant or Access Person by Rule 2.4 would arise upon execution of an order at an inferior price to that displayed in an applicable consolidated market display on a marketplace to which the Participant or Access Person has access.

"Access" to a Marketplace

The Trade-Through Amendments would introduce a new Policy 2.4, which would provide that, in determining whether a Participant or Access Person has undertaken reasonable efforts to satisfy the requirement to fill better-priced orders, consideration would be given to whether the Participant or Access Person has access to the marketplace with the better-priced orders.

In Market Integrity Notice 2003-014 issued on June 27, 2003, RS proposed an amendment to expand the definition of an "Access Person" to include a person who has been granted access rights to the trading system of an Exchange or a QTRS either directly or by means of an electronic connection to the order routing system of a member or user (a "Direct Access

Client"). By Market Integrity Notice 2005-005, RS provided notice that it had withdrawn the proposed expansion of the definition from consideration for approval by the Recognizing Regulators. However, while a Direct Access Client is not presently an Access Person for the purposes of UMIR, for the purposes of Policy 2.4 an Access Person who is also a Direct Access Client would have "access" to any Exchange or QTRS that is available to them as a result of the electronic connection.

TSX Policy 2-501 allows a Participant to grant access to the order routing system of the Participant to various domestic and foreign institutional clients and to retail clients through "Order-Execution Accounts" (essentially accounts in respect of which the Participant is not required to review orders for suitability). Effective May 31, 2004, the TSX V adopted "Direct Access Rules" which are substantially similar to the requirements of TSX Policy 2-501. A person who is able to access the TSX pursuant to TSX Policy 2-501 or the TSX V pursuant to the Direct Access Rules is also considered to have "access" to that marketplace for the purposes of Policy 2.4.

An Access Person would be considered to have access to a particular marketplace, if the marketplace is:

- an ATS and the Access Person is a subscriber of that ATS;
- a QTRS and the Access Person is a user of that QTRS; or
- an Exchange or QTRS and the Access Person is a Direct Access Client with access to the trading system of the Exchange or QTRS.

A Participant would be considered to have access to a particular marketplace, if the marketplace is:

- an ATS and the Participant is a subscriber of that ATS;
- a QTRS and the Participant is a user of that QTRS; or
- an Exchange and the Participant is a member of that Exchange.

In addition, a Participant would be considered to have access to a particular marketplace if the Participant has entered into a contractual arrangement as an "introducing broker" with another dealer as "carrying broker" and that other dealer is a subscriber, user or member of the marketplace.

"Reasonable Efforts"

In determining whether a Participant or Access Person has undertaken reasonable efforts to execute as against better-priced orders displayed in a consolidated market display, consideration would be given to whether:

- the Participant or Access Person has access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and
- the Participant or Access Person has met any applicable obligation under Part 2 of Policy 2.1 to move the market.

For the purposes of compliance with the "trade-through" obligations, a Participant or Access Person would be considered to have taken reasonable efforts if the Participant or Access Person enters orders on a marketplace concurrent with, or immediately following, the trade on the other marketplace or organized regulated market and such orders have a sufficient volume and are at a price that would fill the disclosed volume on that marketplace. Part 3 of Policy 2.4 would clarify that the operation of the market making system on any marketplace on which orders are entered to comply with the "trade-through" obligation would reduce, but not increase, the volume which the Participant or Access Person must trade on that marketplace.

For the purposes of the "best price" obligation, a Participant would be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant would be required to monitor the "best bid price" and "best ask price" displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.

"Disclosed Volume"

Presuming that the Off-Marketplace Proposals are adopted, the term "disclosed volume" will be defined in UMIR as the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display that is:

- offered at a price below the intended price of a trade in the case of a purchase; or
- bid at a price above the intended price of a trade in the case of a sale.

The disclosed volume would be determined immediately prior to the execution of the particular trade on a marketplace, but would not include the volume of:

- a Special Terms Order unless the order could be executed in whole according to the terms of the order;
- a Basis Order;
- a Call Market Order;
- a Market-on-Close Order;
- an Opening Order; or
- a Volume-Weighted Average Price Order.

Excluded Orders

A Participant or Access Person would not have an obligation to make reasonable efforts to execute as against better-priced orders displayed in a consolidated market display if the order to be traded is a "specialty" type of order. Generally speaking, an order type that would be excluded from the calculation of "disclosed volume" would also be excluded from the obligation to make reasonable efforts to execute as against better-priced orders.

Call Market Orders, Market-on-Close Orders, Opening Orders and Volume-Weighted Average Price Orders would be excluded since the exact price of the trade is not known at the time of the entry or the execution of the order. Basis Orders would be excluded since their price is determined by reference to prices achieved in transactions in the derivatives market. Due to the presence of conditions attached to the execution of a Special Terms Order, the execution of the Special Terms Order would not be subject to the obligation unless:

- the Marketplace Rules governing the Special Terms Order provide otherwise;
- the order could be executed in whole, according to the terms of the order, on a marketplace; or
- the order is part of a pre-arranged trade or intentional cross.

The obligation also would not apply if the order of the Access Person is handled by a Participant or any dealer as agent for the Access Person. In these circumstances, the Participant who is handling the order of the Access Person would be subject to the obligation.

The following table summarizes the types of order which would be exempt from the obligation and the policy rationale for the exemption.

Order Type	Description of Order Type	Rationale for Exemption
Special Terms Order	An order for the purchase or sale of a security: (a) for less than a standard trading unit; (b) the execution of which is subject to a condition other than as to price or date of settlement; or (c) that on execution would be settled on a date other than in the ordinary settlement period or special period established by an Exchange or QTRS.	This exemption permits Special Terms Orders to trade outside the prevailing market because of the conditions which have been attached to the order or because the order is for less than one standard trading unit. (This exemption permits odd lot on the TSX V to trade at the established discount or premium to market prices.) The exemption does not apply if the Special Terms Order could be executed in whole in accordance with its terms or if the rules of the Exchange or marketplace otherwise provide (e.g. the rules of the TSX require odd lots to trade at the market price in accordance with obligations imposed on market makers.) This exemption is also not available if the Special Terms Order is part of a pre-arranged trade or intentional cross.

Order Type	Description of Order Type	Rationale for Exemption
		This exclusion precludes a Special Terms Order being used simply to bypass "better-priced" orders.
Basis Order	An order for the purchase or sale of listed securities or quoted securities for which notice has been provided to a Market Regulator prior to entry and the price of the resulting trade is determined in a manner acceptable to a Market Regulator based on price achieved in one of more derivative transactions.	This exemption recognizes that the trade undertaken on the "equity" marketplace is based on prices achieved in one or more transactions in a derivative instrument listed on an Exchange or quoted on a QTRS. As such, the reported price represents a "true market price" determined by the trading of securities in another marketplace, which currently is the derivatives market of the Montréal Exchange. A Market Regulator must be satisfied as to the manner of the determination of the price.
Call Market Order	An order for the purchase or sale of one or more particular securities that is entered on a marketplace on a trading day to trade at a particular time or times established by the marketplace during that trading day at a price established by the trading system of the marketplace.	On the entry of a Call Market Order the price at which the trade will occur is not known. The price of the trade will be calculated by the trading system of the marketplace at the time designated by the marketplace. Since the price at which the trade will occur is not known at the time of the entry of a Call Market Order and the determination of the price is beyond the direct control of the parties to the trade, the execution of a Call Market Order at a price other than the prevailing price is not considered an attempt to bypass the market.
Market-on-Close Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing at the closing price of the security on that marketplace on that trading day.	Execution of this type of order guarantees the parties that the trade will occur at the closing price on a particular market. At the time of the execution, this price is not determinable. Nonetheless, the closing price on a particular marketplace may be outside the prevailing market prices as indicated in a consolidated market display. This exemption permits these trades to be made at the last sale price.
Opening Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of calculating and executing at the opening price of the security on that marketplace on that trading day.	Each marketplace will be able to establish its own formula for the determination of opening prices. The so-called "calculated opening price" may vary right up to the time of the initial trade. In these circumstances, an order which has been specifically entered to trade on a particular marketplace at the opening may trade at a price which is different from the opening price on another marketplace that opens at the same time or the prevailing price on a marketplace that it then already open for business. At the time of the entry of the order, the "opening" price is not known (though "indications" of the opening price may be publicly disclosed). An Opening Order will not have been entered in an attempt to bypass a "better" market price.
Volume-Weighted Average Price Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing trades at an average price of the security traded on that trading day on that marketplace or on any combination of marketplaces known at the time of the entry of the order.	When a Volume-Weighted Average Price Order executes the price will be determined by a formula that measures average price on one or more marketplaces for trades occurring after the execution of the Volume-Weighted Average Price Order. As such, the final price may be outside the context of the market at the end of the trading session but this fact would not have been determinable at the time of the execution of the order.

Impact of the Trade-Through Amendments

The principal impact of the Trade-Through Amendments will be to:

- differentiate between the "trade-through" obligation imposed on each Participant and Access Person and the "best price" obligation imposed on each Participant when handling a client order;
- clarify that a Participant when trading a principal or non-client order must make reasonable efforts to execute as against better-priced orders displayed in a consolidated market display before executing the order on a marketplace, over-the-counter or on an organized regulated market outside of Canada; and
- require an Access Person, when trading an order directly on a marketplace or organized regulated market and not as a client of a dealer, to make reasonable efforts to execute as against better-priced orders displayed in a consolidated market display.

An Access Person would be considered to be entering an order directly if the order is entered by them as a subscriber to an ATS, a user of a QTRS or a Direct Access Client. The Trade-Through Amendments would *not* impose any new obligation on Access Persons to trade on a Canadian marketplace. UMIR requires a Participant who has access to a Canadian marketplace to trade in securities only by means of the entry of an order on a Canadian marketplace unless the trade specifically is exempted from that requirement. This obligation applies whether the Participant is trading as principal or agent. Under UMIR, the requirement to trade on a Canadian marketplace unless exempted does not apply to an Access Person. Provided the Access Person complies with applicable securities legislation, the Access Person may conduct trading activity without the trade being:

- intermediated by a dealer registered in accordance with securities legislation; or
- executed on a marketplace in Canada or an organized regulated market outside of Canada.

The Trade-Through Amendments would not affect the ability of an Access Person to conduct trading activity in this manner. However, the Trade-Through Amendments would require an Access Person, when trading directly on a marketplace or organized regulated market (and not as a client of a dealer) not to intentionally bypass better-priced orders on another marketplace.

The Trade-Through Amendments have been adopted as an interim measure that, if approved by the Recognizing Regulators, would remain in effect pending the implementation of any proposals resulting from the comprehensive review of trade-throughs that is being initiated by the Recognizing Regulators. Upon completion of the review by the Recognizing Regulators, the Trade-Through Amendments, if implemented, may be modified or repealed.

Specific Matters on Which Comment is Requested

Comment is requested on all aspects of the Trade-Through Amendments. However, comment is specifically requested on the following matters:

Role of Marketplaces in Trade-Through Protection

1. In the United States, Regulation NMS requires self-regulatory organizations (which includes the New York Stock Exchange and Nasdaq), as well as any market centre that executes orders (including electronic crossing networks and ATSs), to establish procedures to prevent the execution of an order for national market system stocks at a price that is inferior to the best bid or offer displayed by another market centre at the time of execution.

. *What is the most efficient and cost-effective means of ensuring compliance with the trade-through obligations by all parties with access to Canadian marketplaces?*

Quantification of the Trade-Through Obligation

2. As presently drafted, a Participant or Access Person that executes an order at an "inferior price" on a marketplace has an obligation to make reasonable efforts to execute all "better" price orders on other marketplaces to which the Participant has access. Under Regulation NMS, the trade-through obligation will be limited to immediately accessible orders at the best price on other market centres (the "top of the book").

   Should the trade-through obligation be "unlimited", capped at the volume of the trade which has occurred outside the market spread or limited to the top of the book?

Appendices

The text of the Trade-Through Amendments to the Rules and Policies under UMIR related to the trade-through obligations of an Access Person is set out in Appendix "A". Appendix "B" contains the text of the relevant provisions of the Rules and Policies as they would read following the adoption of the Trade-Through Amendments. Appendix "C" summarizes the comments received by RS to the original publication of Market Integrity Notice 2004-018 – Provisions Respecting "Off-Marketplace" Trades relating to the application of "trade-through" obligations to an Access Person, together with the response to RS to those comments.

Questions

Questions concerning this notice may be directed to:

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Appendix "A"

Universal Market Integrity Rules

Amendments to the Rules and Policies
Respecting Trade-Through Obligations

The Universal Market Integrity Rules are amended by adding the following as Rule 2.4:

2.4 Trade-Through Obligation

(1) Upon the execution of an order on a marketplace or an organized regulated market, a Participant or Access Person shall make reasonable efforts to fill all orders displayed in a consolidated market display:

(a) in the case of a purchase by the Participant or Access Person, at a price below the execution price; and

(b) in the case of a sale by the Participant or Access Person, at a price above the execution price.

(2) Subsection (1) does not apply to execution of an order which is:

(a) a Special Terms Order unless:

(i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS governing the trading of a Special Terms Order provide otherwise,

(ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display, or

(iii) the order is part of a pre-arranged trade or intentional cross; or

(b) entered on a marketplace as:

(i) a Basis Order,

(ii) a Call Market Order,

(iii) a Market-on-Close Order,

(iv) an Opening Order, or

(v) a Volume-Weighted Average Price Order;

(c) entered on an organized regulated market by a Participants acting as:

(i) agent on behalf of a non-Canadian account, or

(ii) principal in a trade with a non-Canadian account; or

(d) an order of an Access Person that is handled as a client order by a Participant or by any dealer as agent for the Access Person.

(3) For the purposes of subsection (1), the Participant or Access Person may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed in accordance with Marketplace Operation Instrument.

The Policies to the Universal Market Integrity Rules are hereby amended as follows:

1. The following is added as Policy 2.4:

POLICY 2.4 - TRADE-THROUGH OBLIGATIONS

Part 1 – Application

Unless an order is exempted by the provisions of subsection (2) of Rule 2.4, the requirement to make reasonable efforts to fill all orders displayed in a consolidated market display:

- in the case of a purchase by the Participant or Access Person, at a price below the execution price; and
- in the case of a sale by the Participant or Access Person, at a price above the execution price,

shall apply to the execution on a marketplace or an organized regulated market by a Participant of a principal order, a non-client order or a client order. The requirement shall also apply to an Access Person when that person is trading directly on a marketplace or organized regulated market and the order is not being handled by a Participant or any dealer as agent for the Access Person.

Part 2 – Determination of "Reasonable Efforts"

In determining whether a Participant or Access Person has undertaken reasonable efforts to satisfy the requirement to fill all orders as required, consideration will be given to whether:

- the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and
- the Participant or Access Person has met the obligations required by Policy 2.1.

A Participant or Access Person will be considered to have taken reasonable efforts if the Participant or Access Person enters orders on a marketplace concurrent with, or immediately following, the trade on the other marketplace or organized regulated market and such orders have a sufficient volume and are at a price to fill the disclosed volume on that marketplace determined at the time of the execution of the trade on the other marketplace or organized regulated market.

Part 3 – Effect of Market Maker Obligations

If the marketplace on which the Participant or Access Person enters orders to satisfy the obligation of this Policy has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation reduces the obligation of the Participant or Access Person. Orders of a market maker which are included in the disclosed volume are entitled to be filled.

2. Part 2 of Policy 5.2 is repealed and the following substituted:

Part 2 – Orders on Other Marketplaces

A Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the "best bid price" and "best ask price" displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.

Appendix "B"

Universal Market Integrity Rules

Text of the Rules and Policies to Reflect the Trade-Through Amendments

Text of Provisions Following Adoption of Trade-Through Amendments	Text of Current Provisions Marked to Reflect Adoption of Trade-Through Amendments
2.4 Trade-Through Obligation	**2.4 Trade-Through Obligation**
(1) Upon the execution of an order, a Participant or Access Person shall make reasonable efforts to fill all orders displayed in a consolidated market display:	(1) Upon the execution of an order, a Participant or Access Person shall make reasonable efforts to fill all orders displayed in a consolidated market display:
(a) in the case of a purchase by the Participant or Access Person, at a price below the execution price; and	(a) in the case of a purchase by the Participant or Access Person, at a price below the execution price; and
(b) in the case of a sale by the Participant or Access Person, at a price above the execution price.	(b) in the case of a sale by the Participant or Access Person, at a price above the execution price.
(2) Subsection (1) does not apply to execution of an order which is:	(2) Subsection (1) does not apply to execution of an order which is:
(a) a Special Terms Order unless:	(a) a Special Terms Order unless:
(i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS governing the trading of a Special Terms Order provide otherwise,	(i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS governing the trading of a Special Terms Order provide otherwise,
(ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display, or	(ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display, or
(iii) the order is part of a pre-arranged trade or intentional cross; or	(iii) the order is part of a pre-arranged trade or intentional cross; or
(b) entered on a marketplace as:	(b) entered on a marketplace as:
(i) a Basis Order,	(i) a Basis Order,
(ii) a Call Market Order,	(ii) a Call Market Order,
(iii) a Market-on-Close Order,	(iii) a Market-on-Close Order,
(iv) an Opening Order, or	(iv) an Opening Order, or
(v) a Volume-Weighted Average Price Order;	(v) a Volume-Weighted Average Price Order; or
(c) entered on an organized regulated market by a Participants acting as:	(c) entered on an organized regulated market by a Participants acting as:
(i) agent on behalf of a non-Canadian account, or	(i) agent on behalf of a non-Canadian account, or
(ii) principal in a trade with a non-	(ii) principal in a trade with a non-

Text of Provisions Following Adoption of Trade-Through Amendments	Text of Current Provisions Marked to Reflect Adoption of Trade-Through Amendments
Canadian account; or (d) an order of an Access Person that is handled as a client order by a Participant or by any dealer as agent for the Access Person. *(3) For the purposes of subsection (1), the Participant or Access Person may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed in accordance with Marketplace Operation Instrument.*	Canadian account; or (d) an order of an Access Person that is handled as a client order by a Participant or by any dealer as agent for the Access Person. *(3) For the purposes of subsection (1), the Participant or Access Person may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed in accordance with Marketplace Operation Instrument.*
POLICY 2.4 - TRADE-THROUGH OBLIGATIONS **Part 1 – Application** Unless an order is exempted by the provisions of subsection (2) of Rule 2.4, the requirement to make reasonable efforts to fill all orders displayed in a consolidated market display: • in the case of a purchase by the Participant, at a price below the execution price; and • in the case of a sale by the Participant, at a price above the execution price, shall apply to the execution on a marketplace or an organized regulated market by a Participant of a principal order, a non-client order or client order. The requirement shall also apply to an Access Person when that person is trading directly on a marketplace or organized regulated market and the order is not being handled by a Participant or any dealer as agent for the Access Person.	***POLICY 2.4 - TRADE-THROUGH OBLIGATIONS*** **Part 1 – Application** Unless an order is exempted by the provisions of subsection (2) of Rule 2.4, the requirement to make reasonable efforts to fill all orders displayed in a consolidated market display: • in the case of a purchase by the Participant or Access Person, at a price below the execution price; and • in the case of a sale by the Participant or Access Person, at a price above the execution price, shall apply to the execution on a marketplace or an organized regulated market by a Participant of a principal order, a non-client order or client order. The requirement shall also apply to an Access Person when that person is trading directly on a marketplace or organized regulated market and the order is not being handled by a Participant or any dealer as agent for the Access Person.
POLICY 2.4 - TRADE-THROUGH OBLIGATIONS **Part 2 – Determination of "Reasonable Efforts"** In determining whether a Participant or Access Person has undertaken reasonable efforts to satisfy the requirement to fill all orders as required consideration will be given to whether: • the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and • the Participant or Access Person has met the obligations required by Policy 2.1. A Participant or Access Person will be considered to have taken reasonable efforts if the Participant or Access Person enters orders on a marketplace concurrent with, or immediately following, the trade on the other	***POLICY 2.4 - TRADE-THROUGH OBLIGATIONS*** **Part 2 – Determination of "Reasonable Efforts"** In determining whether a Participant or Access Person has undertaken reasonable efforts to satisfy the requirement to fill all orders as required consideration will be given to whether: • the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and • the Participant or Access Person has met the obligations required by Policy 2.1. A Participant or Access Person will be considered to have taken reasonable efforts if the Participant or Access Person enters orders on a marketplace concurrent with, or immediately following, the trade on the other

Text of Provisions Following Adoption of Trade-Through Amendments	Text of Current Provisions Marked to Reflect Adoption of Trade-Through Amendments
marketplace or organized regulated market and such orders have a sufficient volume and are at a price to fill the disclosed volume on that marketplace determined at the time of the execution of the trade on the other marketplace or organized regulated market.	marketplace or organized regulated market and such orders have a sufficient volume and are at a price to fill the disclosed volume on that marketplace determined at the time of the execution of the trade on the other marketplace or organized regulated market.
POLICY 2.4 - TRADE-THROUGH OBLIGATIONS **Part 3 – Effect of Market Maker Obligations** If the marketplace on which the Participant or Access Person enters orders to satisfy the obligation of this Policy has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation reduces the obligation of the Participant or Access Person. Orders of a market maker which are included in the disclosed volume are entitled to be filled.	***POLICY 2.4 - TRADE-THROUGH OBLIGATIONS*** **Part 3 – Effect of Market Maker Obligations** If the marketplace on which the Participant or Access Person enters orders to satisfy the obligation of this Policy has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation reduces the obligation of the Participant or Access Person. Orders of a market maker which are included in the disclosed volume are entitled to be filled.
POLICY 5.2 – BEST PRICE OBLIGATION ***Part 2 – Orders on Other Marketplaces*** A Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the “best bid price” and “best ask price” displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.	**POLICY 5.2 – BEST PRICE OBLIGATION** ***Part 2 – Orders on Other Marketplaces*** ~~Subject to the qualification of the “best price obligation” as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other marketplace or organized regulated market.~~ ~~This Policy applies to "active orders". An "active order" is an order that may cause a trade through by executing against an existing bid or offer on a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on another marketplace at the time. This Policy applies to trades for Canadian accounts and Participants' principal (inventory) accounts. The Policy also applies to Participants' principal trades on foreign over the counter markets made pursuant to the outside of Canada exemption in clause (e) of Rule 6.4.~~ A Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the “best bid price” and “best ask price”

Text of Provisions Following Adoption of Trade-Through Amendments	Text of Current Provisions Marked to Reflect Adoption of Trade-Through Amendments
	displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.

Appendix "C"

Universal Market Integrity Rules

Response to Request for Comments

The substance of the Trade-Through Amendments was initially included in a package of proposals published by RS in Market Integrity Notice 2004-018 – Provisions Respecting "Off-Marketplace" Trades, issued on August 20, 2004. As part of that Market Integrity Notice, RS asked:

- Should an Access Person who is neither a dealer nor trading through a dealer be subject to the requirement to take reasonable steps to execute first as against better-priced orders on any marketplace to which the Access Person has access?

- Should the proposal apply to an Access Person who is a non-resident?

RS received responses to these questions from the following persons:

Barclays Global Investors ("Barclays")
BMO Nesbitt Burns ("BMO")
Canadian Securities Traders Association Inc. ("CSTA")
Markets Inc. ("MI")
TSX Markets ("TSX")

The following table summarizes the responses received by RS to these questions. The table also provides a summary of the comments of RS on the responses.

Commentator and Summary of Comment	Response to Comment
Barclays – Agrees that Access Persons should have various obligations to marketplaces including transacting 'openly and fairly' and not acting in a manner that is 'manipulative or deceptive' that could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for a security as outlined in UMIR Rule 2.2. However, states that an Access Person's obligation to the "market" generally should not include an obligation to fill 'better-priced' orders on any marketplace to which the person has access. States that Access Persons who are institutional investors and manage assets on behalf of clients are fiduciaries who have a duty to seek 'best execution' for their orders. States that the responsibility of fiduciaries to seek to maximize the value of their clients' portfolios subject to their goals and objectives are of paramount importance. Notes that an institution's best execution obligation can conflict with the proposed obligation to displace 'better-priced' orders on any marketplace to which the institution has access and this conflict is exacerbated when marketplaces have different microstructures that affect the timeliness and certainty of order completion. Notes examples of different market structures are electronic markets that provide firm quotes and immediate execution and manual floor based markets where investors cannot immediately execute against the order book. Notes that, if a manual marketplace has posted a higher bid or a lower offer than an electronic marketplace and so displays the 'best price' as defined by UMIR then an Access Person may be forced to route their order to the manual marketplace and accept slower and less certain executions that can compromise execution quality. Notes that these issues have been well debated in submissions related to Reg. NMS in the United States. Notes that a requirement to displace 'better-priced' orders on any marketplace that an institution has access to coupled with	At the request of the Recognizing Regulators, RS has deleted from the "Off-Marketplace" Proposals the provision to extend to an Access Person the obligation to take reasonable efforts to execute first as against better-priced orders on any marketplace to which they have access as an Access Person. The extension of the obligation to Access Persons is part of the Trade-Through Amendments covered by this separate Request for Comments. In September of 2004, RS established a Working Group comprised of members of the Board of RS, the Rules Advisory Committee of RS and staff of RS to study various questions surrounding the application of UMIR to Access Persons and their trading activity. The Working Group considered whether this requirement to access better-priced orders should be extended to an Access Person. The Working Group recommended the adoption of the Trade-Through Amendments and the publication of this Request for Comments.

Commentator and Summary of Comment	Response to Comment
more restrictive short sale tick-rules could mean that the institution is not able to execute at all making it impossible for the institution to provide best execution and the extension of the trade-through rule to Access Persons introduces uncertainty whether an order is 'permitted or required to be entered or executed in a foreign market' and could delay trading decisions and hurt execution quality. Further notes that the amendment could require institutions who are Access Persons to monitor many marketplaces resulting in higher monitoring costs. Institutions cannot take comfort that they are not an Access Person of a marketplace because they do not have a direct connection to the marketplace. Notes that MIN 2003-014 expanded the definition of an Access Person to include a person who has been granted access rights to the trading system of an Exchange or a QTRS either directly or by the means of an electronic connection to the order routing system of a member or user. Notes that, if the Recognizing Regulators approve the expanded definition of Access Persons then many institutions could indirectly become Access Persons to marketplaces that they do not monitor if any counterparty that they have an electronic connection to also has a connection to a marketplace that displays quotes. Notes that the requirement would introduce uncertainty and delays that would result in lower quality of execution. States that many buy-side institutions wrongly believe that this Request for Comments only addresses the replacing of the current wide distribution rules. States that any extension of the obligations of an Access Person to the market such as a new displacement obligation should not be buried within a proposal that many investment managers believe to be unimportant. States that such an extension merits a separate Request for Comment.	
BMO – Is of the opinion that the rules as proposed are too restrictive. Notes that an informed consent opt-out provision is appropriate for Access Persons and for Participants engaging in proprietary trading. States that an order-by-order, case-by-case requirement would provide sufficient protection of the integrity of the market. Requests clarification of the word "access" in the phrase "access as an Access Person". Notes that there are significant differences between being able to effect a transaction, by giving an order to an intermediary or by direct, electronic access. States that Commissions, settlement complexities, errors, f/x transactions, timing differences, disparate liquidity pools, and allocation algorithms for managers of multiple accounts may all contribute to an informed and reasonable decision to opt-out of the obligation to pursue a nominally best price bid or offer. Notes that an Access Person who is a non-resident should not be held to a different standard, in theory, but practically jurisdiction cannot be ignored. States that RS must be satisfied that it can enforce the regulations with respect to non-residents and that no entity will be disadvantaged by virtue of geographic location.	The question of whether an "opt-out" should be permitted depends largely on whether the obligation to trade at the best available prices is considered to be a fiduciary obligation which is owed by a dealer to its client (who would be in a position to provide an informed waiver of compliance with that obligation) or is an obligation which is owed by a dealer to the "markets". In the United States, the SEC originally contemplated "opt-outs" as part of its proposed Regulation NMS. The SEC removed the provisions for "opt-outs" when the SEC republished the proposed Regulation NMS in December of 2004. In contrast, UMIR presently provides that a client may not opt out of the "best price" obligation. The current UMIR provision built upon the Canadian tradition that saw that obligation to trade at the best prices as general obligation owed to the markets. For example, prior to the realignment of the Canadian stock exchanges in 2000, the TSX required members of the exchange to honour best prices on other Canadian exchanges (even though this requirement took trading activity away from the TSX).

Commentator and Summary of Comment	Response to Comment
CSTA – Very concerned regarding the proposed amendments to Rule 2.1 concerning Access Persons. Strongly disagrees with the extension of the obligations of institutions to include displacing "better-priced" orders on any market where the institution meets the definition of Access Person. States that institutional investors managing client investments have a fiduciary responsibility to seek best execution for their orders, which does not necessarily mean filling "better-priced" orders on any marketplace should the consequences mean missing liquidity on another. Notes that being obliged to fill 100 shares and therefore running the risk of missing a larger amount of stock on another market would go against this responsibility. Notes that orders might have to be routed to a manual market, showing a better price but offering slower and less certain execution, by-passing an electronic market that provides firm quotes and instant execution. States that if "Access Person" is expanded then institutions would indirectly become Access Persons to markets they do not monitor if any party they have an electronic connection to also has a connection to a marketplace that displays quotes.	Securities legislation contemplates that institutional investors may undertake trading activity without the need for the trade to be intermediated by a dealer registered in accordance with securities legislation. UMIR recognizes this possibility and does not impose an obligation on an Access Person to conduct all trading activities on a marketplace. If an institution decides to avail itself of trading on a marketplace, then the institution should expect to "play" by the rules of the marketplace. Honouring better-priced orders becomes part of the "cost" of accessing the marketplace. Securities legislation requires that most investors undertake trading activity through a person registered as a dealer under applicable securities legislation. UMIR requires dealers who are Participants to conduct trading activity, when acting as principal or agent, through the entry of orders on a marketplace subject to certain exceptions and exemptions which are enumerated in UMIR. In addition, UMIR requires that a Participant immediately enter on a marketplace "small" orders received from clients. These persons and orders would be disadvantaged if an institutional investor could simply choose to "bypass" them. Institutions have always had "fiduciary responsibilities" to their clients. Prior to the realignment of exchanges in 2000, orders of an institution traded on a Canadian exchange were subject to the trade-through rules of the Canadian exchanges. Presumably, compliance with the requirements of the Canadian exchanges did not result in the breach of "fiduciary responsibilities".
MI – Agrees that all market participants should be required to abide by rules of marketplaces and securities laws, but strongly disagrees that this justifies extension of trade-through rule (i.e. obligation to fill orders on any marketplace) to Access Persons. States that trade-through is incorporated into best execution, making narrower best price obligation redundant and conflicting. Desire to ensure clients aren't misled by dealers with more information no longer applicable when institutions and individuals can access market data, control trading directly and make informed choices. Notes that justifications for trade-through may be applicable to dealers but not to institutions, as institutions only know their own trades and public information, whereas dealers are in the privileged position of cumulative knowledge of the market through their proprietary and client trades. States that, as trade-through is effectively a "tax" on this privileged position, it should not apply to institutions. Notes that fiduciary obligations to clients are primary; trade-through exists to protect "other people's orders" therefore should be secondary. Suggests that RS should not conclude that "economic self interest" is not sufficient motivator for institutions, but rather should note that intentional by-passing of better-priced orders is evidence that sophisticated investors may conclude that price is not the dominant factor in every trade. Trade-through favours marketplaces with published quotes. States that the rule as	Upon the introduction of Marketplace Operation Instrument, it was contemplated that, in the absence of a formal market integrator, each marketplace trading a security would be under an obligation to maintain an electronic connection to every other marketplace trading the same security. With amendments to Marketplace Operation Instrument that became effective on January 4, 2004, the need for each marketplace to maintain an electronic connection was deleted as part of the repeal of Part 9 on "Market Integration for Marketplaces". In making this change, the Canadian Securities Administrators added section 11.5 to the Companion Policy to the Marketplace Operation Instrument which states: "Although the Canadian securities regulatory authorities have removed the concept of a market integrator, we continue to be of the view that market integration is important to our marketplaces. We expect to achieve market integration by focusing on compliance with fair access and best execution requirements. We will continue to monitor developments to ensure that the lack of a market integrator does not unduly affect the market." The changes to the Marketplace Operation Instrument removed the mechanism which would

Commentator and Summary of Comment	Response to Comment
drafted may force institutions to avoid direct market access thus avoiding transparency and regulatory oversight and less liquidity. Suggests instead that such policy results in a decline in overall market quality. Recommends RS re-assess necessity of trade-through for both institutions and dealers, complete with cost-benefit analysis. Notes that UMIR trade-through rule is actually in UMIR policy 5.2 Part 2, while UMIR 5.2 states the best price obligation. States that trade-through must be stated as a rule (not a policy open to interpretation) with opt-out provisions. Suggests strongly that any extension of trade-through should be proposed as a separate rule with a new comment period.	have allowed orders to "migrate" to other marketplaces with "better-priced" orders. The Proposed Amendments are designed to address the "gap" which was created with the elimination of the electronic connection between marketplaces. The order and trade transparency requirements of Marketplace Operation Instrument are designed to ensure that all persons have access to certain basic information. The consolidated market display will provide information on better-priced orders on marketplaces which choose to disclose order information. See response to the comment of Barclays above.
TSX - Believes that, to the extent possible, UMIR and its related Policies should apply equally to participants who place orders on an exchange and to Access Persons that trade directly on an ATS. Agrees that an Access Person must be subject to the requirement to take reasonable steps to execute first as against better-priced orders on any marketplace to which the Access Person has access. States that this ensures that Access Persons who are able to trade securities that are inter-listed between an ATS and an exchange are subject to the same market integrity requirement. Notes that, if this requirement did not exist, retail customers' orders in the central order book of an exchange could be by-passed by an Access Person entering an order on an ATS at a price that is outside the best bid and best ask on the exchange. Is of the view that to allow such regulatory arbitrage to occur would not adequately ensure the integrity of the Canadian marketplace. Believes that Access Persons who are non-resident should be treated the same as resident Access Persons.	See response to the comment of Barclays above. Currently under UMIR, a Participant that acts on behalf of a non-resident client is able to execute the client's order without reference to the price for the security on a Canadian marketplace. This exemption recognizes that the execution of the order on behalf of the non-resident will be subject to requirements in the jurisdiction where the client resides. If a Access Person is a non-resident that person should have an obligation to honour the "better-priced" orders on a marketplace only if the Access Person trades directly and its order is not handled as a client order by a Participant or dealer.

13.1.3 MFDA Hearing Panel Makes Findings Against Jawad Rathore

FOR IMMEDIATE RELEASE

May 31, 2005 (Toronto, Ontario) – A disciplinary hearing in the Matter of Jawad Rathore was held before a Hearing Panel of the Ontario Regional Council of the Mutual Fund Dealers Association of Canada (MFDA) on Monday, May 31, 2005 in Toronto, Ontario. The Hearing Panel made a finding of misconduct respecting the two allegations set out by MFDA staff in the Notice of Hearing dated February 10, 2005, summarized below.

> **Allegation #1:** Between August 2002 and November 2002, Rathore engaged in gainful occupation outside the business of the Member without so advising the Member and obtaining the approval of the Member, contrary to MFDA Rule 1.2.1 (d)(iii).
>
> **Allegation #2:** Commencing on or about February 14, 2003, Rathore failed to produce for inspection and provide copies of documents requested by the MFDA in the course of an investigation, contrary to s. 22.1 of By-Law No. 1.

The Hearing Panel advised that it would issue written reasons and its decision on appropriate sanction in due course.

A copy of the Notice of Hearing is available on the MFDA web site at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 181 members and their approximately 70,000 representatives with a mandate to protect investors and the public interest.

13.1.4 IDA Association - By-laws 1.1. and 2.9

BY-LAWS 1.1 AND 29

INVESTMENT DEALERS ASSOCIATION OF CANADA

CONFLICTS OF INTEREST AND CLIENT PRIORITY

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 definition of ~~"associate"~~"Associate" in By-law 1.1 is amended by repealing the definition in its entirety and replacing it as follows:

   ~~"associate"~~ "Associate" where used to indicate a relationship with any person, means:

   (i) Any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10 percent of the voting rights attached to all voting securities of the corporation for the time being outstanding;

   (ii) Any partnership, trust or estate in which such person has a substantial beneficial interest, unless that partnership, trust or estate is managed under discretionary authority by a person or company that is not a member of any ~~Pro Group~~pro group of which the first person is also a member, or as to which such person serves as trustee or in a similar capacity;

   (iii) Any relative of that person, including his/her spouse or spousal equivalent (including an individual of the same or opposite sex cohabitating with that person in a conjugal relationship), or a relative of the spouse or spousal equivalent if

   (a) the relative has the same home as that person; and

   (b) the person has discretionary authority over the securities accounts held by the relative;

   But where the applicable District Council in respect of a Member or a holding company of a Member orders that two persons shall, or shall not, be deemed to be associates, then such order shall be determinative of their relationships in the application of the By-laws, Regulations, Rulings and Policies, with respect to that Member or holding company."

2. By-law 1.1 is amended by adding the following definitions:

~~"private placement"~~"Private Placement" means an issuance from treasury of

(i) ~~(i)~~ voting or equity securities~~;~~,

(ii) ~~(ii)~~ securities that are convertible or exchangeable into such securities issued for cash without prospectus disclosure~~;~~, ~~in reliance on an exempting provision of the applicable securities legislation~~ or

(iii) ~~(iii)~~ subordinated or other forms of debt that qualify as capital of the issuer~~,~~ ~~but does not include a rights offering in respect of voting or equity securities.~~

in reliance on an exempting provision of the applicable securities legislation but does not include a rights offering in respect of voting or equity securities.

~~"pro group"~~"Pro Group" means a group including, individually or as a group, the following persons or companies:

(a) the Member;

(b) any employee of the Member;

(c) any agent acting in a similar capacity as an employee of the Member in compliance with By-law 39;

(d) any partner, officer or director of the Member;

(e) any affiliate of the Member; and

(f) any associate of any person or company described in paragraphs (a) through (d).

~~"pro group holdings"~~"Pro Group Holdings" means, in respect of a class of voting or equity securities of any class or of subordinated or other forms of debt that qualify as capital of an issuer, the difference between:

(a) the total number of securities (and/or the total dollar value of subordinated or other forms of debt~~s~~ that qualify as capital of the issuer) of the class that are beneficially owned, directly or indirectly, by members of the pro group or that members of the pro group have a right to acquire, whether conditional or not, excluding (i) all securities held as an underwriter in the course of a distribution, (ii) indirect holdings of a pro group member over which none of the Member nor any other member of the pro group has discretionary authority and (iii) those securities held by a pro group member for which that pro group member acts as a Registered Trader (as defined in the Toronto Stock Exchange Rule Book and Policies) or in a similar capacity on another ~~Recognized Stock Exchange;~~ recognized stock exchange; and

(b) the total number of securities (and/or the total dollar value of subordinated or other forms of debt~~s~~ that qualify as capital of the issuer) of the class that are held short by members of the pro group.

For greater certainty in subparagraph (a), securities held by an underwriter after the distribution has closed are to be included in the calculation.

Subject to the ~~prior approval~~discretion of the Association, "pro group holdings" shall exclude:

(1) holdings of an affiliate or associate where

(i) the affiliate or associate engages in a distinct business or investment activity separately from the business and investment activities of the other members of the pro group,

(ii) the affiliate or associate has a separate organizational and reporting structure from all other members of the pro group,

(iii) there are adequate controls on information flowing between the other members of the pro group and the affiliate or associate, and

(iv) the Member maintains a list of such exempted affiliates and/or associates; or

(2) the holdings beneficially owned by a member of the pro group held outside the Member that are of a market value of less than $25,000.

The Association may, for the purposes of a particular calculation, include in the pro group holdings positions of a person that would otherwise be excluded or exclude from the pro group holdings positions of a person that would otherwise be included."

3. By-law 29.3A is repealed.

4. By-law 29 is amended by adding the following:

"29.28 **Conflicts of Interest – Reporting and Disclosure of Pro Group Holdings**

(1) A Member shall report the pro group holdings of the Member in the form and at the time prescribed from time to time by the Association.

(2) Whenever a Member has entered into any agreement, commitment or understanding with an issuer to act as ~~advisor,~~adviser, agent or underwriter or member of a selling group in respect of that issuer's private placement or ~~other~~public offering of securities, the Member ~~or its employees or agents, as appropriate)~~ shall disclose the percentage that its pro group holdings represent of the outstanding securities of each class of voting or equity securities and/or the total dollar value of all outstanding subordinated and other forms of debt that qualify as capital of such issuer that exceeds 10% in the manner prescribed in By-law 29.28(3):

(a) to clients of the Member when making recommendations or giving advice ~~(on solicited trades) relating to securities~~relating to any securities of the class that are the subject of the private placement or public offering ~~of that issuer~~; and

(b) on all trade confirmations relating to transactions in the securities of the class that are the subject of the private placement or public offering ~~of that issuer.~~

(3) The disclosure required by By-law 29.28(2) will take the form that the percentage of pro group holdings in an issuer falls within one of the following bands:

(i) 10% to 15%,

(ii) 15% to 20%, or

(iii) more than 20%.

(4) The obligation to make the disclosure required in By-law 29.28(2) shall continue until the earlier of the date on which:

(a) ~~date that the Member's entire portion of the~~ the member ceases to act as an adviser, agent or underwriter or member of the selling group in respect of the issuer's private placement or public offering ~~has been sold~~ of securities; or

(b) pro group holdings total less than 10% of the issuer's outstanding securities as described in By-law 29.28(2)

29.29 **Client Priority**

(1) Orders for the accounts of clients of a Member shall have priority over all other orders in respect of securities executed by or on behalf of such Member except for any trade in a security, exchange contract, futures contract or futures contract option or activity in any account of a client of a Member if such trade or activity is in compliance with the by-laws, rules or regulations of any recognized exchange, regulation services provider or quotation and trade reporting system. For the purpose of Section 29.29 "orders for the accounts of clients" shall include an order for the account of a client of any Member but shall not include an order for an account in which any member of the pro group, as defined in By-law 1.1, has an interest, direct or indirect, other than an interest in a commission charged, unless no member of the pro group has discretionary authority over such account.

(2) Notwithstanding Section 29.29(1), clients' orders do not have priority over pro group orders for a private placement if:

(a) the Member has not entered into any agreement, commitment or understanding with the issuer to act as ~~advisor,~~adviser, agent or underwriter or member of a selling group in respect of the private placement or subsequent offerings of securities; and

(b) the percentage of pro group holdings in an issuer is less than 20% of the outstanding securities of a class of voting or equity securities of that issuer.

(3) Where client priority applies pursuant to Section 29.29(1), the pro group shall not be entitled to take up part of a private placement unless reasonable efforts have been made to offer the securities to eligible clients of the Member where such

an investment would be suitable for such clients.

(4) For the purposes of Section 29.29(1), a client order is valid if received from an existing client and the client qualifies to purchase the securities based upon a prospectus exemption under the applicable securities legislation.

(5) Where client priority applies pursuant to Section 29.29(1), each Member shall have in place internal policies and procedures to fulfill the requirement in paragraph (3). Such policies and procedures shall include:

(a) where permitted by applicable securities legislation, the issuance of a press release by the issuer announcing the private placement, the Member's name and the price at which the private placement may be made, in advance of the pro group taking up any part of the private placement;

(b) setting a suitable time period taking into account the type of issue and the size of the client list between the announcement of a private placement and the time at which it becomes available to the pro group; and

(c) requiring that employees of Members make reasonable efforts to inform eligible clients of the private placement and that the Member retain evidence of the efforts used for a period of two years after completion of the private placement.

29.30 **Pro Group Hold Period**

(1) The holdings of the pro group that were issued pursuant to a private placement and are subject to a statutory hold period cannot be qualified for resale by way of a prospectus unless:

(a) the holdings of the pro group are less than 20% of any class of voting or equity securities, after taking into account the issuance of the private placement securities; or

(b) the holdings of the pro group exceed 20% of any class of voting or equity securities, after taking into account the issuance of the private placement securities; and

(i) the issuance of the private placement was accepted by an exchange, and

(ii) the price at which the securities were purchased by the pro group is greater than 80% of the public offering price.

For greater certainty, the holdings of the pro group shall reflect all holdings on a fully diluted basis.

(2) Notwithstanding Section 29.30(1) these securities may be disposed of, subject to applicable securities law, pursuant to an arm's-length merger or take-over bid subject to the consent of the exchange, market or quotation and trade reporting system upon which the issuer's securities are listed.

29.31. ~~**General Conflicts**~~ **Policies and Procedures**

Every Member shall ~~also ensure disclosure of~~ have written policies and procedures designed to identify, minimize or eliminate conflicts of interest as set out in this By-law. Such policies and procedures shall be approved by the Association.

29.32 **General Conflicts**

~~is made~~Every Member shall disclose conflicts of interest to its clients in situations not addressed by the scope of this By-law or Policy No. 11 in which there is a substantial likelihood that a reasonable client would consider the conflict important in making an investment ~~decision~~ decision"

5. Regulation 1300.20 is hereby amended by deleting the reference to By-law 29.3A and inserting a reference to By-law 29.29(1) in its place.

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.

13.1.5 IDA Response to Comment Received on Proposed Amendments to IDA By-laws 1.1 and 29 – Conflicts of Interest and Client Priority

INVESTMENT DEALERS ASSOCIATION OF CANADA (IDA)
RESPONSE TO COMMENT RECEIVED ON PROPOSED AMENDMENTS TO
IDA BY-LAWS 1.1 AND 29 – CONFLICTS OF INTEREST AND CLIENT PRIORITY

On July 2, 2004 the Investment Dealers Association of Canada (IDA) republished for comment proposed amendments to IDA By-laws 1.1 and 29 concerning conflicts of interest and client priority (the "proposed Rules").

One comment was received from the Canadian Bankers Association (the "CBA").

SUMMARY OF WRITTEN COMMENTS RECEIVED ON THE PROPOSED RULES

Overview

In reviewing the comments made by the CBA and the Association's specific responses, the IDA thought it would be useful to review the overriding objectives of the proposed Rules.

The Joint Securities Industry Committee on Conflicts of Interest was convened in 1996 to examine the potential conflicts of interest that occur when salespersons and Member firms participate in emerging company financings. The result was the Hagg Report, which outlined a number of recommendations for changes to the rules of self-regulatory organizations. The Association has drafted the proposed Rules in response to the recommendations stated in the Hagg Report.

The proposed Rules address potential conflicts of interest in situations where the Members, its employees, affiliates and certain associates thereof hold equity and certain debt securities of an issuer and the Member also provides services to the same issuer in connection with a private placement or public offering.

Conflicts may arise as a result of the pro group holding a significant investment in an emerging company and then engaging in underwriting and trading for clients in the shares of these companies. The objectivity of the pro group when dealing with clients can be compromised when the pro group has a material interest in the company.

The effect of the proposed Rules is to make clients aware of the pro group's ownership in an issuer in situations in which conflicts of interest would have the most serious impact. This gives clients new and important information, which they can use to assess the potential for conflicts of interest when receiving advice or recommendations relating to securities in which the pro group has a significant interest. The information would allow them to ask whatever questions of their broker they consider appropriate, and to weigh the objectivity of the broker and the advice being given.

Another objective is to make clients aware of suitable private placements in situations where the Member firm influences the issuer's financing strategy. The results will be increased client participation in private placement financings, a more level playing field between clients and brokers, and the elimination of transactions that are engineered by and for the primary benefit of the pro group.

No U.S. Equivalent and No Cost Benefit Analysis

Comment

The CBA questioned why Members should be subject to more onerous disclosure requirements and additional compliance costs. (Also raised in bullet point 3 on page 2)

Response

The Association based the proposed Rules on the analysis of the industry by the Joint Securities Industry Committee on Conflicts of Interest that produced the Hagg Report. The Committee undertook a detailed review of SRO rules, securities regulations and met extensively with representatives of members firms, regulators, issuers and investors. The Hagg Report identified significant conflict of interest issues that the Association believes need to be addressed. These types of conflicts exist in the United States. Consequently, the issue should be why the United States does not have similar conflict of interest rules.

Conflict issues do arise and when detected they are dealt with. This can be seen, for example, in recent actions by U.S. regulators concerning research analyst conflicts, IPO allocations and late trading and market timing abuses by mutual fund companies.

With respect to a cost-benefit analysis, the IDA did not perform an extensive analysis because the Joint Securities Industry Committee on Conflicts of Interest and the Securities Industry Committee on Analyst Standards both identified the need to address conflicts issues. While it was recognized that the costs would be significant to Members, the Association found that the benefits to investors outweighed the costs.

Material Conflicts

Comment

In numerous locations in the CBA comment letter (specifically bullet points 1, 2 and 4), the CBA submits that only material, direct and clear cut conflicts should be disclosed.

Response

The Association has limited the scope of the proposed Rules from numerous earlier drafts and even from the scope recommended by the Hagg Report. The scope, rather than including all securities that the pro group may

hold, has been reduced to those securities for which the Member is providing services related to a private placement or public offering.

The conflicts that may arise in these circumstances are substantial and material. The scope of the rule identifies the pro group's ownership in an issuer in circumstances where conflicts of interest would have the most serious impact, be it where no established market for the security exists or the market can be easily manipulated or is not a reliable indicator of price.

Percentage Holdings

Comment

The CBA believes that it would be more meaningful for a client to disclose a material conflict than to disclose detailed lists of percentage holdings.

Response

The Association had to balance disclosure that was material and disclosure that was understandable. We felt that this balance was achieved by a percentage amount. The other methods we considered were too complex to be meaningful.

Investor Abilities

Comment

The totality of disclosure and ability of investors to assimilate such information should be considered.

Response

The Association believes investors have the ability to understand the proposed conflicts of interest disclosure.

National Instrument 33-105

Comment

The CBA states that many of the goals of the proposed Rules are currently found in existing regulatory requirements, such as those of National Instrument 33-105. It uses as an example the definition of "related issuer".

Response

National Instrument 33-105 *Underwriting Conflicts* does not address all the goals of the proposed Rules. For example, conflicts of interest involving client priority or conflicts of interest involving the resale of securities where hold periods are in place but may be abridged, are not covered in National Instrument 33-105. Neither does the National Instrument contain a basket clause to address disclosure of conflicts not specifically set out in the Instrument or the proposed Rules.

In addition, with respect to National Instrument 33-105, the CBA argues elsewhere in its comment letter that the conflicts that the IDA proposes to address via the proposed Rules are too complex and not material.

We have argued that the scope of the proposed Rules have been limited to focus on those conflicts that are material to an investor when determining whether to purchase securities that are the subject of a placement or offering and we have attempted to draft it as simply as possible. Clearly, though, the issues are complex as is evident by the charts accompanying the National Instrument in order to assist in determining its application.

Lastly, by including a bright line test of 10% the Association is avoiding the differences of interpretation caused by some of the requirements of the National Instrument. For example, it is a matter of interpretation as to what parties fall under the relationship of "connected issuer" and there are difficulties and complexities involved in the determination of who falls under the definition of "influential securityholder".

Are these relationships found under the National Instrument any less broad or more material than the "pro group" relationships? In fact, the "connected issuer" is broader than the "pro group" definition and captures more individuals.

Firm Practices

Comment

The CBA states that many firms have added measures to their normal practices to deal with conflicts, which has not been taken into account in assessing the need for new IDA measures.

Response

The CBA refers to "many firms", but as the Association has over 200 Members we need clear and consistent standards that are applicable to all our Members and protect investors regardless of which Member firm they choose to deal with. It is not unusual for IDA Member firms to anticipate IDA rule making by implementing best practices before being mandated to do so.

Pro Group Holdings

Detailed Database

Comment

The CBA is concerned that the proposed Rules will require firms to develop a detailed database, which will result in enormous development and maintenance costs.

Response

While there will be increased costs in order to satisfy reporting and disclosure requirements, they are not unduly large when considering the ultimate goals that will be achieved: increased investor protection; the leveling of the

playing field and increased participation in the capital raising process.

As stated in the discussion paper that accompanied the proposed Rules when published for comment, there are various means available to Members to retrieve outstanding share data. For listed issuers, a Member can find outstanding share data from the market or from a reliable third-party data vendor. The means available to Members include, for example, National Instrument 51-102 where reporting issuers are required to disclose in financial statements each class and series of voting or equity securities of the reporting issuer that are outstanding. In addition, The Toronto Stock Exchange requires issuers to report within ten days of month end their issued and outstanding securities. In addition, the website for TSX shows the number of shares outstanding for issuers listed on the TSX and TSX Venture Exchange. This information should be current as the issuer is to advise the exchange of share issuances. Timely Disclosure requirements, such as section 2.5 of TSX Venture Exchange Policy 3.3 obligates issuers to immediately notify the exchange of any issuance of securities or any change in capital structure. In addition, under section 4.2 of TSX Venture Exchange Policy 3.2 the registrar and transfer agent are obligated to send the exchange a copy of any treasury order that the issuer has sent to them and the treasury order must contain the number of issued and outstanding shares following the new issuance.

Member firms are also presently required to track the holdings of their employees for the purposes of the current requirements for priority rules and in connection with their daily and monthly review of pro (i.e. employee) trading.

For unlisted securities, the Member should be able to get outstanding share data from the issuer itself. This is also the case for outstanding subordinated debt. In both these situations the Member has a relationship with the issuer and therefore it should not be difficult to receive this information from the issuer.

Furthermore, because the disclosure is now only triggered in relationships where the Member is providing services related to a private placement or public offering, the calculation of pro group holdings is limited to securities that are the subject of those relationships.

In summary, as a result of the ability of Members to obtain outstanding share data and the reduced scope of the proposed Rules, the Association believes the creation of a centralized system is not justified. Because Members will only be required to make the calculation where the Member is providing services to the issuer in connection with a private placement or public offering, and the Member itself has access to outstanding share data, the Members have the information and capability to produce their own calculations. A centralized database will not provide any added benefit. Furthermore, as a result of these factors, the costs to Members in making the calculation themselves will not be prohibitive.

Employee and Associate Compliance

Comment

The CBA states that the tracking of personal securities holdings and trading activities of employees and associates is extremely invasive and gives rise to employment law and privacy concerns. There may also be compliance difficulties if an associate objects to providing trading information.

Response

The Association does not believe the reporting required is contrary or inconsistent with any provincial or federal laws. Currently, privacy and employment issues do not arise in the industry where Member firms must track employee trading for compliance with National Instrument 33-105, priority rules and for the purposes of their daily/monthly pro trading reviews.

With respect to associates objecting, registrants of the Member will have a relationship with the associate and will therefore already be aware of the information or be able to easily obtain it. In addition, since the provisions of the proposed Rules are only triggered when the Member is involved in an issuer's private placement or public offering, it is likely to be relatively easy to ascertain whether an associate has purchased these securities. In addition, secondary market trading of securities by associates would not be captured, except where these securities are in the same class as the securities in the new issue.

Managed Accounts

Comment

The CBA is concerned about the tracking of accounts that are fully managed by third parties.

Response

The definition of "pro group holdings" specifically excludes under clause (a)(ii) securities in a managed account.

Exclusions for Affiliates and Associates – Distinct Business or Activity

Comment

The CBA believes that the exemption is not extensive enough and catches more than is intended. Further, the CBA submits that there could be situations of hundreds of affiliates and it is not clear what engaged in a "distinct business or investment activity" would entail.

Response

The Association believes it achieved as clear an exemption as possible without being overly inclusive.

It is up to Member firms to use their best judgment in the determination whether an affiliate would/should fall under

the definition of "pro group". Members, when making this determination should consider the principles and goals of the proposed Rules: would the holdings of an affiliate cause an investor to question whether the recommendations given to an investor were wholly independent, whether the price of the securities is fair and the process by which that price was determined was not impacted in any way as a result of certain relationships with the issuer?

Where it is unclear whether disclosure of affiliates holdings should be made the Member may apply for an exemption.

Higher Burden than National Instrument 33-105

Comment

The CBA believes that the proposed Rules are inconsistent and more onerous than National Instrument 33-105, requiring disclosure of pro group holdings where a Member is neither "related" to the issuer nor an "influential securityholder".

Response

As set out above, the Association agrees that the proposed Rules may be more onerous than National Instrument 33-105 in some respects. But as outlined in the Hagg Report, specific conflicts concerns were identified that required redress.

Furthermore, National Instrument 33-105 is only slightly less onerous in respect of the definition of "influential securityholder". For example, under that definition professional groups would be required to disclose in a manner similar to the proposed Rules (i.e. direct or beneficial ownership of voting securities entitling the group to cast more than 10% of votes for the election/removal of directors, equity securities entitling the group to receive more than 10% of the dividends or distributions, etc). What makes National Instrument 33-105 a little less onerous is the additional provision that the pro group must also be entitled to nominate at least 20% of the directors of the issuer or has partners, directors or officers constituting 20% of the directors of the issuer).

However, in other respects, National Instrument 33-105 is more onerous. For example, it requires disclosure of "connected issuers". That definition uses a broad test of whether the relationship between the issuer and a registrant may lead a reasonable prospective purchaser of the securities to question the independence of such parties for purposes of the distribution. This would cover such scenarios as when a significant shareholder of the registrant is the chair of the board of directors of the issuer.

No Similar Requirements in Other Professions, Jurisdictions

Comment

The CBA states that other securities regulators in other jurisdictions and other professions do not require such information to be monitored or disclosed.

Response

Regardless of what other securities regulators or professions require, the need for such requirements, via the Hagg Report, was identified. To simply wait for other regulators/professions to act is not an effective means of regulation. But in fact, other jurisdictions and other regulators do address conflicts of interests. For example, one of the core principles of the Fair Dealing Model proposal is that any conflicts of interest must be managed to avoid self-serving outcomes on the part of the adviser. The principle of transparency in the Fair Dealing Model proposal would also require the disclosure of all conflicts, for example, in relation to compensation received by advisers.

Under the revised BC Securities Act, a Code of Conduct has been drafted. Principle 6 of this Code addresses conflicts of interest. It requires that all conflicts of interest be resolved in favour of the client. It also requires that when acting as an underwriter, registrants must act in the best interest of the investors and they must disclose any relationships with the issuer that would lead a reasonable investor to question whether the registrants and issuer are in fact independent from each other.

Finally, the Conduct and Practices Handbook Course that all registrants must read, contains a Code of Ethics and Standards of Conduct, which requires the priority of client's interests and that registrants must disclose all real and potential conflicts of interest in order to ensure fair, objective dealings with clients. The CPH also requires the priority of client orders over non-client orders.

Definition of Debt

Comment

The CBA asks that guidance be provided regarding what types of debt securities are intended to be captured by subsection 29.28(2). The CBA also questions the relevance of a pro group holding subordinated debt.

Response

Subordinated debt holdings can give rise to the same conflicts as equity securities. In situations where the pros hold 10% or more of subordinated debt and the client is considering purchasing common shares, the debt holdings give rise to a relationship between the issuer and the Member and its registrants that lends to the perception that they are not independent of one another and the prices of common securities may be affected by this conflict.

As in the proposed Rules, the NASD identifies certain debt holdings as relevant in regards to conflicts of interest. NASD Rule 2720(b)(7)(a) states that a conflict of interest is presumed to exist where the member and/or associated persons, parent or affiliates beneficially own 10% or more of the subordinated debt of a company.

Preferred Shares

Comment

The CBA questions why preferred shares of an issuer are included under the reporting and disclosure requirements and does not see this as giving rise to a conflict of interest.

Response

The inclusion of preferred shares was also included in the Hagg Report. There should be no distinction between common and preferred shares. Conflicts of interest occur regardless of whether the shares held are common or preferred. The NASD shares the view that conflicts of interest may exist where 10% or more of preferred shares are beneficially owned by a member and/or its associated persons, parent or affiliates (NASD Rule 2720(b)(7)(C)).

Furthermore, the CBA later on makes reference to the disclosure of conflict provisions found under sections 225 and 228 of the Regulations under the *Securities Act* (Ontario). Those provisions require disclosure prior to trading or recommending securities of the registrant. These requirements apply to all securities be they common equity, preferred equity or debt.

No Room on Trade Confirmation

Comment

The CBA states that there is no room on a trade confirmation for all of the required disclosure. They further submit that the required disclosure is neither relevant nor gives rise to a conflict of interest be it with respect to common shares, preferred shares or debt securities of an issuer.

Response

With respect to relevance, the Association is of the view that we have addressed this comment elsewhere in this response to comments. However, we reiterate that the ownership that pros have in a company is meaningful to investors as it makes transparent the financing of these companies. The participation by the pro group in the issuer is of relevance to a potential investor.

The industry has proven itself able through technological innovation to physically provide the disclosure that has been mandated by securities regulation.

General Conflicts

Comment

The CBA believes that the "General Conflicts" provision under section 29.31 is unduly broad and open-ended and should not be a regulatory requirement. The CBA states that it also provides no appreciable benefit to investors and will increase litigation over what a client thinks ought to have been a conflict in their view.

Response

The IDA believes that a general conflicts provision is necessary in order to capture scenarios not strictly covered in the proposed Rules; however, we acknowledge that it may not be feasible to "ensure" disclosure. Consequently, the IDA has removed that language so that a more reasonable efforts expectation is implied. A "reasonable client" test is consistent with tests found in common law and securities legislation (i.e. in the definitions of "material fact" and "material change".) The "reasonable" standard is also found throughout the IDA Rulebook (i.e. By-laws 29.12, 29.27, 38.11, 40.12; Regulations 1300.1, 1500.1 and Policies No. 1 and No. 2). Increases in litigation have not necessarily resulted due to the use of these reasonable person tests.

Although the CBA states that provisions in the proposed Rules are unduly broad, if the IDA attempted to draft provisions setting out every type of conflict of interest, the proposed Rules would be excessively detailed and complicated. Further, the industry has often stated that they do not desire overly prescriptive rules that do not adequately address the variances in business models and clients. The provision was also included in anticipation of the introduction of the new BC Code of Conduct, which contains numerous provisions dealing with conflicts of interest.

Specifically, section 16 of the Code requires procedures to be developed to resolve conflicts of interest and disclose them to the client. Furthermore, section 17 of the Code requires the prompt disclosure to the client of any information that a reasonable client would consider important for assessing the Member's ability to provide objective service or advice. As a result, we believe it is necessary for the IDA to include a general conflicts of interest disclosure provision.

The IDA expects its Members to use their expertise and business judgment to make determinations as to what may constitute a general conflict of interest (as they must do for determining material facts or changes).

Furthermore, as stated in the discussion paper, a Member Regulation Notice will provide guidance as to what types of situations will likely be caught by the general provision.

Exclusions From the Definition of "Pro Group Holdings"

Comment

Prior drafts of the proposed Rules allowed Members to deem an affiliate or associate not to be a member of the pro group where effective Chinese walls are in place. The current version of the proposed Rules now requires the prior approval of the Association. The CBA would like the previous version to stand.

Response

The IDA agrees. The proposed Rules have been amended.

Restrict Pro Group to the Deal Team

Comment

The CBA states that a more appropriate starting point for defining "pro group" is in the NASD Rules which treats as the pro group the deal team that participated in the public offering and not the entire firm. The CBA comments that there is no conflict of interest where an employee is wholly unconnected to the deal and purchases the securities in the secondary market.

Response

While NASD Rule 2710 does require those participating in a public offering (and their immediate family) to file a statement with the NASD disclosing if they hold 5% or more of any class of the issuer's securities, the Rule does not require this information to be disclosed to investors, nor does the Rule address private placements.

The IDA believes that the group should be broader than the "deal team" in any event, as ownership of the securities by others at the firm may still give rise to conflicts of interest. That view seems to be shared by the NASD as set out in NASD Rule 2720. This Rule requires disclosure to investors of conflicts of interest and is not simply restricted to the "deal team" of the member involved in the public offering. The ultimate result is that investors are provided with information that they can use when contemplating recommendations on securities in which the pro group has a significant investment.

The IDA agrees in part with the CBA statement that purchases in the secondary market do not give rise to conflicts of interest. As previously discussed, the scope of the proposed Rules has been reduced to only include those securities for which the Member is providing services related to a private placement or other offering. Thus it will not generally include trading in the secondary market. The goal is to focus on private placements, and public offerings where full information with respect to prices is difficult to find or the risk of market manipulation is higher.

Simplify the Required Disclosure

Simplify the Disclosure Requirements

Comment

The CBA states that the disclosure should be clear, uncomplicated and direct.

Response

The IDA has previously dealt with these comments.

Only Private Placements and No Debt

Comment

The CBA argues that the only conflicts of particular concern regard private placements and the by-law should exclude debt, which would be consistent with the exclusion of debt under National Instrument 33-105.

Response

To reiterate, we have addressed the comments as to what is of "particular concern" with respect to the situations that give rise to a conflict of interest.

Disclose "Material Amount" not Percentages

Comment

The CBA submits detailed information about ownership percentages would likely confuse investors and a better approach would be for a dealer to exercise its judgment concerning whether a "material amount" is held. The CBA suggests that a dealer could be required to simply disclose "we have a significant ownership stake".

Response

The IDA has addressed this comment earlier.

Alternative Approach

Comment

The CBA suggests an approach where an ownership limit of 20% is set beyond which an independent underwriter would be required. The CBA states that this would simplify compliance and disclosure and avoid costly databases for dealers.

Response

This approach is currently contained in National Instrument 33-105. Furthermore, is the CBA suggesting that conflicts of interest would be satisfied merely by requiring an independent underwriter without the need for disclosure to investors? This would not satisfy the underlying objectives of the conflicts of interest rules.

Form and Time Prescribed by the IDA

Comment

The CBA believes that subsection 29.28(1) that provides for disclosure of pro group holdings in a form and at the time prescribed by the IDA should be disclosed at this time so that the full impact of the proposal is clear and transparent.

Response

The IDA fully supports clear and transparent rules with input from the industry. We will ensure that Members have an opportunity for input to ensure proper compliance with this provision.

While the Association anticipates calculation of pro group holdings on a monthly basis and at the outset of an underwriting commitment until the position is extinguished, the use of the provision as currently worded allows the IDA to retain some flexibility to change the reporting requirement at a later time if determined necessary. In addition, the technical details regarding disclosure are more appropriately set out in a Notice rather than in the By-law. In this way requirements can be periodically updated in a more efficient way as issues arise. Maximum flexibility can be best achieved in this manner.

Entering into an "Understanding" with an Issuer

Comment

The CBA submits that triggering public disclosure based on an understanding under subsections 29.28(2) and 29.29(2) could constitute tipping. The CBA has issues with disseminating information prior to a public announcement by an issuer.

Response

The goal of these provisions is to make clients aware of circumstances in which a Member firm has an influence over the price or the market in some fashion with respect to certain securities and to ensure that investors have access to private placement opportunities that are suitable investments. These are important goals. Further, while these provisions do not constitute tipping, even if they could be misconstrued as such, securities legislation would take precedence over the proposed Rules.

No Formal Engagement

Comment

The CBA is unsure as to whether subsection 29.28(2) applies for a firm or registrant which receives a commission from an issuer because of the participation of clients where the firm does not have a formal engagement to act as an adviser, agent or underwriter.

Response

We are unclear as to what role the firm or registered representative is playing in the above scenario. How are the clients made aware of the issuer's private placement?

This may be an example where requiring disclosure based on an "understanding" would come into play. In the alternative, if an argument was to be made that such a situation would not fall under subsection 29.28(2), this type of scenario is precisely the type that we envision would be covered via the basket clause provision under section 29.31.

Duplication of Regulatory Requirements

Comment

The CBA believes that the proposed Rules are duplicative in certain respects and inconsistent in other respects with National Instrument 33-105 and sections 225 and 228 of the Regulation under the Securities Act (Ontario). The CBA takes note that the definition in National Instrument 33-105 and the proposed Rules differ and suggest that the definitions be revised for consistency.

Response

As discussed above, National Instrument 33-105 does not fully address all conflicts of interest deemed serious enough to warrant additional disclosure requirements, nor does it address other aspects of the proposed Rules regarding client priority and hold periods.

With respect to varying definitions, an explanation for the differences in definitions such as "associated party" and "associate" or "professional group" and "pro group" are clearly set out in the discussion paper.

Client Priority

Limited Benefit

Comment

The CBA is of the view that the client priority regime for private placements is onerous, complex and costly and will not benefit the majority of the investing public.

Response

First, the client priority rule was implemented in 1998 through Bulletin No. 2508 (September 11, 1998). Members

have been expected since then to be in compliance with the client priority rule and we have not been made aware of any issues with respect to costs and complexity.

Second, the benefits far outweigh the costs when the goal is to achieve fairness for the client.

Role of Registered Representative and Keeping Records

Comment

The CBA questions the intent of the rule in respect of situations where a registered representative does not ordinarily recommend a particular industry to clients because he or she does not follow that industry or has no expertise but the client may nevertheless be eligible to participate. The CBA states that the registered representative will have to keep records of every private placement and why he or she did or did not bring it to the attention of eligible clients.

Response

In the first instance, we question how Members currently address this situation if the client priority has already been implemented.

Nevertheless, the registered representative does not have to keep records of every private placement. First, records are only required under clause 29.28(5)(c) to demonstrate an effort to inform eligible clients of private placements. Second, registered representatives need not keep abreast of every private placement, simply the ones where the Member firm has entered into an agreement, commitment or understanding with the issuer and where the pro group holdings are more than 20% of the outstanding securities of a class of voting or equity securities of that issuer.

When attempting to analyze and subsequently follow the proposed Rules, it is important to focus on the intent. In this case, the rule is intended to make clients aware of suitable private placement offerings in circumstances where the firm has an influence over the private placement.

Contacting the Client and Record Keeping

Comment

The CBA queried if a registered representative could not contact a client, would it be sufficient that a message be left regarding an opportunity to participate in a private placement? Further, the CBA states that the requirement to keep records noting that the required disclosure has been made to a client would be a source for litigation if the investment fails.

Response

Clearly, the IDA simply expects firms to use reasonable efforts and measures to contact clients. Where a client cannot be reached, a message would be sufficient.

Proper record keeping will result in *protection* from litigation and causes for litigation would only arise if the recommendation was determined to be unsuitable for the client.

Eligible Clients

Comment

The CBA is concerned that the obligation to advise all "eligible" clients of the private placement may be misconstrued by some clients to be a recommendation. Alternatively, the CBA queries whether the Member will be exposed to regulatory and civil liability if the client is not advised of the private placement because the registrant did not believe it to be suitable.

Response

The proposed Rules are not intended nor should they be interpreted as taking priority over existing client suitability rules found in the IDA Rulebook and under securities legislation. The know-your-client requirement is one of the fundamental principles of securities law and any provisions in the IDA Rulebook must take into account the KYC rule.

Suitable Time Period and Reasonable Efforts

Comment

The CBA requests guidance regarding what a "suitable time period" is and what constitutes "reasonable efforts" to inform eligible clients. They also request that the Association considers distinguishing private placements of debt and equity securities as the proposed Rules may not make sense in application to private placements of debt.

Response

The Association expects firms to use their judgment and expertise in these matters. Whether a time period is suitable or reasonable efforts have been made depends on the relevant facts and circumstances of a particular case.

We have provided explanations above as to why the proposed Rules should be applied equally to both equity and debt (i.e. clients should be made aware of investments, particularly private placements which are not publicized and where a Member has an influence over the private placement).

May Conflict with SEC Regulation D and Rule 144A

Comment

The CBA notes that the client priority rule may conflict with other private placement rules prohibiting wide solicitation of private placements or conditioning the market. The CBA refers to SEC Regulation D and Rule 144A.

Response

As we discussed previously, Canadian securities legislation has priority over IDA Rules in the event of a conflict.

With respect to SEC requirements, the IDA is of the view that different markets require different responses. With a smaller market in Canada containing more illiquid securities and more uncertainties regarding issues surrounding pricing the proposed Rules respond appropriately to conflict of interest issues.

However, the IDA is of the view that there is no conflict with SEC requirements in these circumstances. The proposed Rules do not allow for the wide solicitation of private placements or for conditioning of the market as the CBA contends. Firstly, private placements may only be offered to eligible clients. In addition, both Canada and the U.S. have KYC requirements, which would have to also be taken into account.

The CBA refers to Rule 144A and Regulation D. Rule 144A allows for the resale of privately placed securities in that a resale during the hold period may be made to qualified institutional investors. Regulation D also provides criteria for exemptions for private placement offerings made to "accredited investors". The Regulation also specifically prohibits offers or sales by general solicitation or general advertising with respect to these offerings. The Association sees no conflict in these requirements to those contained in the proposed Rules or how the proposed Rules conflict with similar requirements found in Canada.

Outside of Members' Control

Comment

The CBA states that Members have little control over the issuance of a press release announcing a private placement or the time period between the announcement and the time in which it becomes available to pro group members.

Response

Often the Member will have input in these decisions due to their special relationship with the issuer. In other situations where there is less ability to control the situation, these would be factors that would be taken into account upon any sales compliance reviews of the Member by the Association.

Pre-Approval and Control of Associates

Comment

The CBA believes that pre-approval requirements for the re-sale by associates of employees may be impractical for a Member to enforce. Further, Members do not have the power to prevent associates of employees from qualifying the re-sale of their private placement securities by prospectus.

Response

While there are no "pre-approval requirements" there are certain factors that must be considered before holdings of the pro group can be qualified for re-sale under section 29.30.

Although the IDA acknowledges some challenges in ensuring certain associates of employees comply with the proposed Rules, by the very nature of an employee relationship with an associate, the employee would obviously be aware of an attempt to re-sell the securities via prospectus (i.e. the employee's wife wants to sell her securities over which the employee has discretionary authority, the partnership that the employee is involved with wants to sell the securities, etc.)

The challenges that may occur in enforcement are outweighed by the benefits achieved. Where hold periods are abridged, this gives rise for the opportunity for pros who hold a major investment to utilize public markets to cash out quickly, sometimes at significant premiums over the price recently paid for the private placement shares. This can result in unfairness in the marketplace.

Replacement of Member Regulation Notices

Comment

The CBA requests clarification as to whether By-law 29 replaces other Member Regulation Notices issued by other regulators dealing with conflict issues.

Response

The IDA can only comment on the Association's own Member Regulation Notices and Bulletins, which do not appear to conflict with the provisions of the proposed Rules. If the CBA is referring to Member Regulation Notices 0279 and 0267 regarding client priority in TSX Venture private placements, where the Member complies with the requirements set out in the notices, they would have made "reasonable efforts' for the purposes of the client priority rule.

Furthermore, any previously issued Bulletins or Notices issued by the SROs on the subject of conflicts of interest would likely no longer be in effect as member regulation functions have been transferred to the Association.

Exception to the Client Priority Rule

Comment

The CBA does not understand the exception to the client priority rule in subsection 29.29(1) which states in part: "if such trade or activity is in compliance with the by-laws, rules or regulations" of any exchange, regulation services provider, etc. The CBA is unclear how this provision is applied since all trades are done in compliance with the rules.

Response

This provision previously existed in the IDA Rulebook and any changes made were strictly housekeeping in nature.

Regulations 1300.17 and 1300.20 were previously deleted in anticipation of the consolidation of the client priority rule under By-law 29.3A. However, these Regulations allowed for an exemption from the client priority rule if the trade was "in compliance with they by-laws, rules or regulations of any recognized stock exchange or clearing corporation applicable thereto."

The reference to "in compliance" refers to the fact that strict client priority may not be required under other SRO rules. The SROs may use other priority rules, for example, the in-house client priority rule under section 5.3 of the Universal Market Integrity Rules.

The only change to Regulations 1300.17 and 1300.20 was to consolidate them all and revise it to include a reference to regulation services providers and quotation and trade reporting systems. This revision came about as a result of the implementation of National Instrument 21-101 Marketplace Operation and National Instrument 23-101 Trading Rules.

13.1.6 TSC Company Manual - Summary of Amendments

TSC COMPANY MANUAL
SUMMARY OF AMENDMENTS

Pursuant to the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals between the Ontario Securities Commission and the Toronto Stock Exchange, dated October 23, 1997, effective May 24, 2005, the TSX Company Manual (the Manual) was updated to reflect various non-public interest amendments. This is update #17 to the Manual.

The updated version of the Manual can be found on the TSX website at:

http://www.tsx.com/en/productsAndServices/listings/tse/resources/resourceManual.html

Below is a summary of the nature of the amendments to the Manual.

TSX Company Manual Part or Section	Nature of Change
Key Contacts, Administration and Personnel	Updated to reflect staff changes.
Table of Contents and Topical Index	Updated to reflect changes to page, section and key word references.
Part III	Minor changes to reflect recent changes to references to Part V.
Part IV	Minor changes to correct legislative citation; addition of pending repeal and replacement of Section 472, and pending repeal of Sections 473-476, regarding corporate governance disclosure.
Part V	Replacement of plastic tab due to typographical error.
Part VI	Minor changes to correct typographical errors.
Part VIII	Minor changes to correct references; addition of listing fee for international structured products.
Appendix E and G	Policies regarding Restricted Shares and Shareholder Rights Plans were inadvertently left in such appendices – both were repealed and replaced with new provisions in Part VI, which went into effect January 1, 2005.
Appendix F	Addition of provision clarifying that policies regarding takeover bids done through the facilities of TSX were repealed as of January 1, 2005, while policies relating to normal course issuer bids remain in effect.
Appendix H – Reporting Forms	Minor changes to reflect new email address for filing Forms; deletion of Forms 6 and 7; addition of consent language in Form 3 to reflect the recent revisions to Parts V and VI, effective January 1, 2005; correction of minor typographical errors in Form 11.
Request for Comment	Update of recent Requests for Comment, as published in the OSC Bulletin from time to time.
Staff Notices	Update of recent Staff Notices released by TSX.

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