

# DIALOGUE WITH THE OSC 2007

ONTARIO SECURITIES COMMISSION

**Tuesday, November 27, 2007**

**Metro Toronto Convention Centre, North Building**

Join senior OSC staff and industry leaders at **Dialogue with the OSC 2007**. Speakers will lead discussions on the emerging issues affecting the world's capital markets and the major regulatory developments impacting the Canadian marketplace. You will hear from prominent speakers, including:

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**Arthur Levitt**, Former Chairman, U.S. Securities and Exchange Commission

**Linda Chatman Thomsen**, Director of Enforcement, U.S. Securities and Exchange Commission

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OSC



The Ontario Securities Commission

# OSC Bulletin

August 24, 2007

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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)

**The Ontario Securities Commission**

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## Chapter 1

# Notices / News Releases

**1.1 Notices**

**1.1.1 Current Proceedings Before The Ontario Securities Commission**

**AUGUST 24, 2007**

**CURRENT PROCEEDINGS**

**BEFORE**

**ONTARIO SECURITIES COMMISSION**

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

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

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

**SCHEDULED OSC HEARINGS**

August 27, 2007 **FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun**  
 10:00 a.m.

s. 127  
 K. Daniels in attendance for Staff  
 Panel: RLS/ST

August 28, 2007 **Shane Suman and Monie Rahman**  
 10:00 a.m.

s. 127 & 127(1)  
 K. Daniels in attendance for Staff  
 Panel: JEAT

September 4, 2007 **Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)**  
 2:30 p.m.

s.127 and 127.1  
 D. Ferris in attendance for Staff  
 Panel: ST/RLS

September 5, 2007 **\*AiT Advanced Information Technologies Corporation, \*Bernard Jude Ashe and Deborah Weinstein**  
 10:00 a.m.

s. 127  
 K. Manarin in attendance for Staff  
 Panel: WSW/HPH/CSP  
 \* Settlement Agreements approved February 26, 2007

September 6, 2007 **Roger D. Rowan, Watt Carmichael Inc., Harry J. Carmichael and G. Michael McKenney**  
 10:00 a.m.

s. 127 and 127.1  
 J. Superina in attendance for Staff  
 Panel: RLS/DLK/ST

Notices / News Releases

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September 6, 2007 10:00 a.m.	<b>Jose Castaneda</b> s. 127 and 127.1 H. Craig in attendance for Staff Panel: WSW/DLK	September 28, 2007 10:00 a.m.	<b>David Watson, Nathan Rogers, Amy Giles, John Sparrow, Leasesmart, Inc., Advanced Growing Systems, Inc., Pharm Control Ltd., The Bighub.com, Inc., Universal Seismic Associates Inc., Pocketop Corporation, Asia Telecom Ltd., International Energy Ltd., Cambridge Resources Corporation, Nutrione Corporation and Select American Transfer Co.</b> s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
September 7, 2007 11:00 a.m.	<b>Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries</b> s. 127 & 127.1 J. S. Angus in attendance for Staff Panel: TBA	September 28, 2007 10:00 a.m.	<b>Stanton De Freitas</b> s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
September 11, 2007 10:00 a.m.	<b>Al-Tar Energy Corp., Alberta Energy Corp., Eric O'Brien, Bill Daniels, Bill Jakes, John Andrews, Julian Sylvester, Michael N. Whale, James S. Lushington, Ian W. Small, Tim Burton and Jim Hennesy</b> s. 127(1) & (5) Sean Horgan in attendance for Staff Panel: RLS/ST	October 1, 2007 10:00 a.m.	<b>Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels</b> s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA
September 17, 2007 10:00 a.m.	<b>Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas</b> s.127 P. Foy in attendance for Staff Panel: WSW/DLK	October 9, 2007 10:00 a.m.	<b>John Daubney and Cheryl Littler</b> s. 127 and 127.1 A.Clark in attendance for Staff Panel: RLS/CSP/MCH
September 19, 2007 10:00 a.m.	<b>Land Banc of Canada Inc., LBC Midland I Corporation, Fresno Securities Inc., Richard Jason Dolan, Marco Lorenti and Stephen Zeff Freedman</b> s. 127 H. Craig in attendance for Staff Panel: PJJ/ST	October 10, 2007 10:00 a.m.	<b>Saxon Financial Services, Saxon Consultants, Ltd., International Monetary Services, FXBridge Technology, Meisner Corporation, Merchant Capital Markets, S.A., Merchant Capital Markets, MerchantMarx et al</b> s. 127(1) & (5) S. Horgan in attendance for Staff Panel: JEAT



October 12, 2007 10:00 a.m.	<b>Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton</b>	January 7, 2008 10:00 a.m.	<b>*Philip Services Corp. and Robert Waxman</b>
	s. 127		s. 127
	H. Craig in attendance for Staff		K. Manarin/M. Adams in attendance for Staff
	Panel: TBA		Panel: JEAT/MCH
			Colin Soule settled November 25, 2005
October 22, 2007 10:00 a.m.	<b>Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin</b>		Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey and John Woodcroft settled March 3, 2006
	s. 127		* Notice of Withdrawal issued April 26, 2007
	H. Craig in attendance for Staff	April 2, 2008	<b>Peter Sabourin, W. Jeffrey Haver, Greg Irwin, Patrick Keaveney, Shane Smith, Andrew Lloyd, Sandra Delahaye, Sabourin and Sun Inc., Sabourin and Sun (BVI) Inc., Sabourin and Sun Group of Companies Inc., Camdeton Trading Ltd. and Camdeton Trading S.A.</b>
	Panel: WSW/KJK	10:00 a.m.	
October 29, 2007 10:00 a.m.	<b>Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited</b>		
	s. 127		s. 127 and 127.1
	E. Cole in attendance for Staff		Y. Chisholm in attendance for Staff
	Panel: LER/ST/DLK		Panel: TBA
November 12, 2007 10:00 a.m.	<b>Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boulton and Peter Y. Atkinson</b>	May 5, 2008 10:00 a.m.	<b>John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir</b>
	s.127		S. 127 & 127.1
	J. Superina in attendance for Staff		I. Smith in attendance for Staff
	Panel: TBA		Panel: TBA
December 10, 2007 10:00 a.m.	<b>Rex Diamond Mining Corporation, Serge Muller and Benoit Holemans</b>	TBA	<b>Yama Abdullah Yaqeen</b>
	s. 127 & 127(1)		s. 8(2)
	H. Craig in attendance for Staff		J. Superina in attendance for Staff
	Panel: WSW/KJK		Panel: TBA
		TBA	<b>Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell</b>
			s. 127
			J. Waechter in attendance for Staff
			Panel: TBA

TBA            **First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman**

s. 127

D. Ferris in attendance for Staff

Panel: WSW/ST/MCH

TBA            **Frank Dunn, Douglas Beatty, Michael Gollogly**

s.127

K. Daniels 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**

**Andrew Stuart Netherwood Rankin**

**Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg**

**Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow**

**Euston Capital Corporation and George Schwartz**

**1.1.2 Executive Director's Designation and Determination**

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

**AND**

**IN THE MATTER OF  
THE DESIGNATION BY THE EXECUTIVE DIRECTOR  
OF POSITIONS FOR THE PURPOSES OF THE  
DEFINITION OF DIRECTOR IN THE ACT**

**AND**

**IN THE MATTER OF  
THE ASSIGNMENT OF CERTAIN POWERS AND DUTIES  
OF THE ONTARIO SECURITIES COMMISSION**

**EXECUTIVE DIRECTOR'S DESIGNATION AND DETERMINATION**

**WHEREAS:**

- A. on June 30, 2005, the Ontario Securities Commission (Commission) issued an assignment (June 2005 Assignment) pursuant to subsection 6(3) of the Act, assigning certain of its powers and duties under the Act to each "Director" as that term is defined in subsection 1(1) of the Act, acting individually;
- B. on March 27, 2006 the Commission revoked the June 2005 Assignment and replaced it with an amended and restated assignment (March 2006 Assignment);
- C. on May 8, 2006 the Commission revoked the March 2006 Assignment and replaced it with an amended and restated assignment (May 2006 Assignment);
- D. on March 16, 2007 the Commission revoked the May 2006 Assignment and replaced it with an amended and restated assignment (March 2007 Assignment);
- E. under subsection 1(1) of the Act, "Director" means the Executive Director of the Commission, a Director or Deputy Director of the Commission, or a person employed by the Commission in a position designated by the Executive Director;
- F. the assignments listed above, including the March 2007 Assignment, each provide that the Executive Director of the Commission shall from time to time determine which one or more other Directors, in each case acting alone, should, as an administrative matter, exercise each of the powers or perform each of the duties assigned by the Commission in paragraph 2 of the particular assignment, each of which powers may also be exercised and duties performed by the Executive Director alone;
- G. on October 24, 2005, the Executive Director issued a designation and determination (October 2005 Designation) whereby the Executive Director, among other things, (i) revoked all previous existing designations and determinations, (ii) designated certain positions, whether or not in an acting capacity, for purposes of the definition of "Director" contained in subsection 1(1) of the Act, and (iii) determined that, in addition to the Executive Director acting alone, each Director (other than certain specified Directors) may exercise the powers and perform the duties assigned by the Commission to Directors in the June 2005 Assignment until otherwise determined by the Executive Director;
- H. in May 2007 a restructuring of the Capital Markets Branch of the Commission resulted in two new branches, that together replaced the Capital Markets Branch: the Compliance and Registrant Regulation Branch and the Market Regulation Branch. Each of these branches has its own Director;
- I. the Executive Director considers it necessary and desirable to amend the October 2005 Designation to: update the references therein to reflect the March 2007 Assignment; reflect the restructuring of the former Capital Markets Branch; and to clarify that the Designation shall apply to any Commission assignment in effect from time to time, until otherwise determined by the Executive Director;

**NOW THEREFORE**, the Executive Director hereby:

1. revokes the October 2005 Designation;
2. designates each of the following positions, whether or not in an acting capacity, for the purposes of the definition of "Director" contained in subsection 1(1) of the Act:
  - (a) each Manager and Assistant Manager in the Corporate Finance Branch of the Commission,
  - (b) each Manager and Assistant Manager in the Compliance and Registrant Regulation Branch of the Commission,
  - (c) each Manager and Assistant Manager in the Market Regulation Branch of the Commission,
  - (d) each Manager and Assistant Manager in the Enforcement Branch of the Commission,
  - (e) each Manager and Assistant Manager in the Investment Funds Branch of the Commission,
  - (f) the Chief Accountant of the Commission, and
  - (g) the General Counsel of the Commission;
3. designates the Supervisor - Insider Reporting Group and each Senior Legal Counsel and Senior Accountant in the Corporate Finance Branch of the Commission for the purposes of the definition of "Director" contained in subsection 1(1) of the Act, but solely for the purpose of granting exemptions from fees for the late filing of insider reports on Form 55-102F2 under Commission Rule 13-502 *Fees*; and
4. determines that, in addition to the Executive Director acting alone, each Director, other than the Supervisor - Insider Reporting Group, and each Senior Legal Counsel and Senior Accountant in the Corporate Finance Branch of the Commission, may exercise the powers and perform the duties assigned by the Commission to Directors in the March 2007 Assignment and any successor assignment in effect from time to time, until otherwise determined by the Executive Director.

**DATED AT TORONTO** this 16th day of August, 2007.

"Peggy Dowdall- Logie"  
Executive Director

1.1.3 OSC Staff Notice 33-728 – 2007 Annual Report – Compliance Team

OSC STAFF NOTICE 33-728

2007 ANNUAL REPORT – COMPLIANCE TEAM

**Introduction**

The 2007 Compliance team report summarizes our activities from April 1, 2006 to March 31, 2007. This report includes the results of our reviews of investment counsel and portfolio managers (ICPMs), fund managers and limited market dealers (LMDs) (collectively, market participants).

This year, we have added a new section covering new and proposed rules published by the Ontario Securities Commission (OSC) that may affect market participants.

We use a risk-based approach in selecting market participants for review. However, we also select market participants for review on a random basis. We encourage market participants to use this report as a self-assessment tool to strengthen their compliance with Ontario securities law and to improve their internal controls.

This report is divided into nine sections:

**1. Compliance initiatives.** This section describes focused reviews or sweeps we conducted in 2006-07 and reviews we are planning for 2007-08.

**2. New and proposed rules.** This section describes new and proposed rules published by the OSC and how they may affect the business operations of market participants.

**3. Compliance process.** This section describes how we update our risk assessment models and review programs.

**4. Fund manager reviews.** This section describes the key areas we reviewed and the deficiencies we identified in our ongoing reviews of fund managers.

**5. LMD reviews.** This section describes our ongoing reviews of LMDs.

**6. Common ICPM deficiencies.** This section deals with common deficiencies we identified during our reviews of ICPMs. We have included suggested practices to help ICPMs improve existing procedures and establish procedures in areas where they are lacking, and to give general guidance on improving overall compliance. We have also highlighted changes in our findings from the previous years' annual reports for comparison.

**7. Significant ICPM deficiencies.** This section summarizes the top three significant deficiencies of ICPMs.

**8. Addressing the deficiencies.** This section describes how we monitor market participants after we issue a compliance review report and various regulatory tools that we may use to address serious conduct issues or violations of securities law.

**9. Seeking input from our market participants.** This section describes our new process of seeking input from our market participants through surveys and how we use this information to improve our regulatory services.

**1. Compliance initiatives**

This section describes focused reviews or sweeps that the Compliance team conducted in 2006-07 and reviews that we are planning for the next fiscal year. These reviews are in addition to the regular, ongoing reviews of market participants that we conduct each year.

**2006-07 reviews**

***Marketing sweep***

In late 2006, we conducted focused reviews of the marketing practices of a sample of ICPMs. Our goals were to broaden our understanding of the type and content of marketing materials used by ICPMs, assess their compliance with Ontario securities law and identify any regulatory gaps.

The sample included ICPMs that were managers of pooled products and hedge funds, ICPMs that catered to large institutional investors and ICPMs with a variety of clients, including private clients.

We reviewed a variety of marketing documents, including brochures, newspaper and magazine advertisements, one-on-one presentations, websites, market commentaries and offering documents relating to pooled products or hedge funds managed by the ICPM.

In the near future, we will publish an industry report that summarizes the findings of our focused reviews and provides guidance on best practices and on how to comply with applicable legislation. We encourage ICPMs to look to the industry report to identify areas where they can improve their marketing practices. We will continue to review the marketing practices of ICPMs as part of our regular field reviews of ICPMs.

### **Sweep of Part 5 of National Instrument 81-105 – Mutual Fund Sales Practices (NI 81 105)**

Part 5 of NI 81-105 deals with marketing and educational practices sponsored by fund companies. In the fall of 2006, staff from the Compliance team and the Investment Funds Branch conducted focused, onsite reviews of 20 fund managers. Our goals were to assess fund managers' compliance with Part 5, to determine whether guidance was required and to assess whether amendments to Part 5 were necessary.

On April 27, 2007, we issued OSC Staff Notice 11-760 – *Report on Mutual Fund Sales Practices under Part 5 of National Instrument 81-105 – Mutual Fund Sales Practices* (OSC Staff Notice 11-760). The notice summarizes the results of our findings and provides guidance to market participants on complying with the legislation. We encourage market participants to look to the report to identify areas where they can make improvements.

We will continue to review the sales practices of fund managers as part of our regular fund manager reviews.

### **Planned reviews for 2007-08**

#### ***New registrant reviews***

During the next fiscal year, we will conduct focused reviews of a sample of newly registered ICPMs. Our goals are to meet with senior management of the registrant and gain a high level understanding of their business, review compliance with Ontario securities law, verify the registrant's activities and assess their financial condition. Reviews of new registrants will form part of our ongoing oversight of registrants.

#### ***Sweeps***

Similar to last year, we will conduct two sweeps in the next fiscal year. We have not yet finalized the topics. One sweep will focus on fund managers and the other will focus on ICPMs.

## **2. New and proposed rules**

During the year, the OSC published several new and proposed rules that may affect the operations of market participants. We have summarized some of the major rules below.

This summary may not include all the rules that affect your business and should not be considered or relied upon as legal advice. Interpretations and comments do not replace or modify any provisions of the rule. Please refer to the specific rules, their forms and companion policies. Where appropriate, you should consult a lawyer with expertise in securities law for advice on how to comply with the regulation.

### **National Instrument 24-101 – Institutional trade matching and settlement (NI 24-101)**

Although NI 24-101 came into force on April 1, 2007, specific reporting and documentation requirements will not come into force until October 1, 2007.

NI 24-101 provides a framework for ensuring more efficient and timely processing and settlement of trades, particularly for institutional trades. The main goal of NI 24-101 is to ensure that registered dealers, ICPMs and other related trade-matching parties establish, maintain and enforce policies and procedures designed to achieve matching of delivery-against-payment (DAP) or receipt-against-payment (RAP) trades no later than the end of the day on which the trade was executed or "T".

Matching essentially means that the relevant parties to the DAP/RAP trade process (trade-matching parties) have agreed to the details and settlement instructions of the trade. Under NI 24-101, 95% of all institutional trades must be matched by end-of-day on T. This benchmark is being gradually phased in over approximately a three-year period.

NI 24-101 will affect ICPMs whose clients use DAP or RAP accounts. Assets in these accounts are normally held with a custodian or dealer that is separate from the dealer that executes the client's trades. The rule will likely affect ICPMs that manage money for institutional clients and in some cases, individual clients.

Under NI 24-101, ICPMs are required to:

- establish, maintain and enforce policies and procedures designed to achieve matching of DAP and RAP trades as soon as practical after the trade has been executed and in any event no later than the end of T
- enter into a trade-matching agreement with each trade-matching party or be provided a trade-matching statement before opening a DAP or RAP account or giving an order to execute a DAP or RAP trade for an institutional investor
- complete and deliver an exception report for all calendar quarters in which they do not meet stated objectives

For more details, please visit [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

#### **National Instrument 81-107 – *Independent review committee for investment funds* (NI 81-107)**

On November 1, 2006, NI 81-107 came into force with a one-year transition period. The rule requires investment funds that are a reporting issuer to have an independent review committee (IRC). The IRC must include at least three members and be fully independent. The IRC oversees all decisions involving actual or perceived conflicts of interest that the fund manager faces in operating the fund.

NI 81-107 applies to all publicly offered mutual funds and non-redeemable investment funds, including:

- labour sponsored or venture capital funds
- scholarship plans
- mutual funds and closed-end funds listed and posted for trading on a stock exchange or quoted on an over-the-counter market
- investment funds not governed by National Instrument 81-102 – Mutual Funds (NI 81-102)

The rule does not apply to pooled funds.

The rule deals with two types of conflicts:

- “business” or “operational” conflicts, which relate to the fund manager’s operations that are not specifically regulated under securities legislation except through the general duties of loyalty and care imposed on the fund manager
- “structural” conflicts, which result from transactions that the fund manager proposes with related entities of the manager, fund or portfolio manager and that are currently prohibited or restricted by securities legislation

The rule also requires fund managers to establish written policies and procedures on conflict matters and to refer these matters to the IRC for its review.

Fund managers were required to appoint IRC members no later than May 1, 2007. Investment funds that are a reporting issuer are required to be fully compliant with the rule by November 1, 2007. For more details, please visit [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

#### **Proposed National Instrument 31-103 – *Registration Requirements* (NI 31-103)**

On February 20, 2007, the Canadian Securities Administrators (CSA) published proposed NI 31-103 for comment. The comment period ended on June 30, 2007. The purpose of the proposed rule is to harmonize, streamline and modernize the registration regime across Canada. The registration requirements are designed to protect investors from unfair, improper or fraudulent practices and therefore, enhance the integrity of capital markets.

The following is a summary of some of the major changes proposed by NI 31-103 that may affect your business operations as a market participant if they are implemented:

- the introduction of a business trigger for dealer registration
- requiring persons that deal in prospectus-exempt securities to register as Exempt-Market Dealers
- permanent registration
- investment fund manager registration
- two new individual categories of registration for all types of registered firms: Ultimate Designated Person and Chief Compliance Officer
- harmonized proficiency requirements for non-Self Regulatory Organization (SRO) registrants
- modernized proficiency requirements by moving from course-based to exam-based requirements
- increased minimum capital requirements for most non-SRO registrants, other than portfolio managers with access to clients' cash or assets
- modernized insurance requirements for non-SRO registrants
- new client relationship disclosure document requirements for most registrants
- requirements for complaint handling procedures and dispute resolution
- new referral arrangement requirements

For more details, please visit [www.rrp-info.ca](http://www.rrp-info.ca).

**Proposed National Instrument 23-102 – Use of Client Brokerage Commissions as Payment for Order Execution Services or Research (“Soft Dollar” Arrangements) (NI 23-102)**

On July 21, 2006, the CSA published proposed NI 23-102 for comment. The comment period ended on October 19, 2006.

The proposed NI 23-102 provides a specific framework for the use of client brokerage commissions by ICPMs and dealers and proposes disclosure requirements for ICPMs. The proposed Companion Policy provides additional guidance on the requirements of the national instrument, including guidance on the types of goods and services that may be obtained with client brokerage commissions, as well as non-permitted goods and services. For more details, please visit [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

### **3. Compliance process**

#### **Updating our risk assessment models**

We are planning to update our risk assessment models for ICPMs and fund managers. As part of this process, we may send a revised risk assessment questionnaire to ICPMs and fund managers in the near future. This information is important for us in updating our risk models.

#### **New review areas**

We review and update our review programs for market participants on an ongoing basis to reflect changes in securities law or industry practices. Described below are areas we added to our reviews this year.

#### **Dormant accounts**

An account is dormant if the account holder cannot be located after a period of time because their address is out-dated or they are deceased, among other reasons.

As a fiduciary, fund managers are responsible for ensuring securityholders' records are current and up-to-date. We added dormant accounts to our fund manager review program because we would like to gain a better understanding of how fund managers deal with unclaimed property held in these accounts. For example, we would like to find out what policies and



procedures fund managers have in place to identify and monitor the activities in dormant accounts and how they treat unclaimed balances.

Dormant accounts may not be an issue for fund managers where the majority of the funds are held under nominee name. However, fund managers that are also distributors or have client name accounts should have appropriate procedures for dealing with unclaimed property or dormant accounts.

#### ***Business Continuity Plan (BCP)***

We added business continuity planning to our market participant reviews. An effective BCP enables a firm to resume providing services to its clients within a reasonable amount of time after a disaster. Market participants should have a BCP to mitigate, respond and recover from a potential disaster. Each firm's BCP should be tailored to the risks, size, nature and complexities of its operations.

#### **4. Fund manager reviews**

In fiscal 2007, the Compliance team completed reviews of some fund managers.

During a review, we focus on the following key areas of the fund manager's business operations:

- transfer agency
- fund accounting
- trust accounting
- sales practices
- marketing

Our main objectives are to ensure that:

- securityholders' records are accurate and up-to-date
- all transactions are appropriately authorized and recorded
- the fund's net asset value (NAV) is correctly calculated by ensuring that the securities in the fund are properly valued and all income and expenses of the fund have been accounted for
- purchase and redemption proceeds are accounted for appropriately
- controls are in place to safeguard securityholders' assets against misappropriation
- marketing materials are adequately reviewed to ensure they are not misleading and do not contain any misrepresentations
- all applicable legislation is being followed

Fund managers may perform all of their core functions in-house or outsource some of them to third-party service providers. When fund managers perform these functions in-house, they should have an appropriate compliance infrastructure to ensure that each function is performed properly. If the fund manager outsources these functions, it must have adequate policies and procedures for overseeing the service provider and ensuring that the provider performs the functions effectively and in accordance with securities legislation.

Subsection 116(1) of the *Securities Act* (Ontario) (the Act) requires fund managers to exercise their duties honestly, in good faith and in the best interests of the mutual fund. In doing so, fund managers exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

We identified deficiencies in a variety of areas. We also continue to find issues with sales practices (see OSC Staff Notice 11-760). The most deficiencies were in the following three areas:

- marketing
- oversight of service providers
- written policies and procedures

### **Marketing**

Fund managers must prepare marketing materials in accordance with the standard of care under subsection 116(1) of the Act. In addition, subsection 15.2(1) of NI 81-102 provides that no sales communication shall be untrue or misleading, or include a statement that conflicts with information that is contained in the simplified prospectus or annual information form of a mutual fund.

We observed the following in our reviews of marketing materials:

- Marketing materials contained out-of-date information.
- When marketing materials included performance data, they did not include the required warning disclosures.
- Fund returns were compared to inappropriate benchmarks.
- Misleading performance returns were used.
- Fund profiles disclosing management expense ratios (MERs) did not include disclosure indicating that certain fund expenses otherwise payable by the funds were waived or paid by the fund manager.
- Published mutual fund ratings in sales communications did not disclose ratings for all the required periods.
- Website communications included incorrect rating information.
- Disclosure on websites contained information that was inconsistent with the simplified prospectus or was incorrect.
- Disclaimers stated that fund managers did not have any responsibility for errors or omissions that may be contained in the marketing materials.

### ***Suggested practices***

- All marketing materials must include information that is accurate, complete and not misleading.
- Ensure that mutual fund sales communications contain the required warning prescribed by NI 81-102.
- When a performance rating or ranking for a mutual fund is presented, the rating or ranking must be presented for all periods where standard performance data is required.
- Establish and enforce procedures for preparing, reviewing and approving marketing materials. This includes having marketing materials reviewed by someone who is not involved in preparing them.

### **Oversight of service providers**

Some fund managers that outsourced the fund accounting, trust accounting and/or transfer agency function did not have adequate oversight procedures.

### ***Suggested practices***

Fund managers should have appropriate procedures for monitoring the functions that they outsource and ensuring that these functions are performed properly.

**Written policies and procedures**

Some fund managers did not have adequate written policies and procedures for the major functional areas of their business.

***Suggested practices***

Fund managers should have written policies and procedures for key functional areas, such as transfer agency, fund accounting, trust accounting, marketing, sales practices, complaint handling and monitoring of outsourced functions.

**5. LMD reviews**

As a result of issues found during our sweep of LMDs in 2005, we added LMDs to our ongoing, regular review program this year. We conducted the first of these reviews in early 2007. We found deficiencies similar to some of those noted during our LMD sweep (see OSC Staff Notice 11-758 – *Review of Limited Market Dealers*). We are working with registrants to ensure that these deficiencies are resolved to our satisfaction.

**6. Common ICPM deficiencies**

This section discusses the results of our reviews of ICPMs from April 1, 2006 to March 31, 2007. We use a risk-based approach in selecting ICPMs for review. We also select ICPMs for review on a random basis. Please note that the ICPMs selected for review year over year are different firms with different operations that vary in size, based on assets under management.<sup>1</sup> The majority of ICPMs we reviewed during the past fiscal year were small firms with assets under management of less than \$250 million.

The table below summarizes the ten most common areas of deficiency we identified and how they compare with the previous three years.<sup>2</sup>

We identified a number of issues under each category. An ICPM is included in a category if it had at least one issue in that area.

Common deficiency	2007	2005/06 <sup>3</sup>	2004	2003
	Ranking	Ranking	Ranking	Ranking
1. Maintenance of books and records	1	3	5	1
2. Policy for fairness in the allocation of investment opportunities (fairness policy)	2	6	2	2
3. Know your client (KYC) and suitability information	3	8	10	9
4. Marketing	4	2	8	8
5. Portfolio management, including advisory contracts	5	9	4	7
6. Statement of policies	6	5	3	5
7. Policies and procedures manual	7	1	1	3
8. Personal trading	8	7	9	10
9. Capital calculations	9	4	6	4
10. Registration issues	10	10	7	6

<sup>1</sup> The median assets under management of the ICPMs that we reviewed for 2007 was \$113 million, 2005/2006 was \$136 million, 2004 was \$205 million and 2003 was \$1.5 billion.

<sup>2</sup> We also identified issues in many other areas, including statement of client's portfolio, conflicts of interest, cross transactions, soft dollars, related registrant disclosure, annual consent to trade securities of related and connected issuers, compliance function, adhering to the terms and conditions of registration, insurance coverage, exempt securities, early warning and insider trading reporting, proxy voting, referral arrangements, United Nations Suppression of Terrorism monthly reporting, internal controls, segregation of duties, trust accounts, agreements with service providers, confidentiality agreements and "holding out" issues.

<sup>3</sup> We combined the results for fiscal years 2005 and 2006 in this report.

## Trends

Compared to previous years, it appears that ICPMs have fallen behind in the following areas:

- maintenance of books and records
- fairness policy
- KYC and suitability information

The increase in these areas is likely because the majority of our reviews in 2007 focused on smaller ICPMs. It is more common to find issues such as inadequate books and records in small firms. Some small ICPMs had generic fairness policies and did not have a process in place to collect and document KYC information. As a result, the increase in these common deficiencies may not generally reflect industry practices.

Some of the firms we reviewed consist of one or two principals who were the key people operating the company. Under this scenario, we generally expect less detailed written policies and procedures. However, we review and assess their current processes and procedures to ensure compliance with securities legislation.

We also found that some small ICPMs were not active in marketing their services, as most of their clients were obtained through word of mouth or close friends. Others had very aggressive marketing materials on their new funds and we noted problems with how they constructed performance composites.

The overall decline in the relative ranking of common deficiencies in policies and procedures and marketing may be due to the following reasons:

- Some of the ICPMs we reviewed did not prepare marketing materials.
- In general, we did not raise issues on written policies and procedures manuals with smaller firms if we were satisfied with their processes and procedures.

## Detailed discussion of common deficiencies

The following is a discussion of specific issues we identified under the ten most common deficiencies, the applicable legislation and suggested practices for addressing the deficiencies. We encourage all ICPMs to use this as a self-assessment tool to strengthen their compliance with Ontario securities law.

### **1. Maintenance of books and records**

ICPMs are required to maintain books and records necessary to properly record their business transactions, trading transactions and other financial affairs. Subsection 113(1) of R.R.O. 1990, Regulation 1015 made under the Act (the Regulation) requires ICPMs to maintain the books and records that are necessary to properly record their business transactions and financial affairs.

The following are examples of books and records that were missing or incomplete:

- trade blotters
- copies of trade orders or instructions
- trade orders (not time-stamped)
- a log of failed trades and trading errors
- advisory agreements
- client investment objectives and restrictions
- a complaints log, including the nature of the complaint and the outcome
- proxies voted or proxy logs
- cash and security reconciliations

- monthly financial statements
- written agreements with third parties

### ***Suggested practices***

Regulation 113(3) lists the books and records that ICPMs are required to maintain. ICPMs should also keep any other books and records necessary to properly record their business transactions, trading transactions and other financial affairs.

## **2. Fairness policy**

Regulation 115(1) requires ICPMs to have standards to ensure that investment opportunities are allocated fairly among their clients. ICPMs are required to prepare written fairness policies dealing with the allocation of investment opportunities among clients, file these policies with the OSC and distribute them to all clients.

During our reviews, we observed the following:

- The most current fairness policy was not filed with the OSC or was not provided to all clients, or both.
- Clients did not get a complete fill on their orders because ICPMs included proprietary, employee and/or personal accounts in block trades and allocated a pro-rata share of partially filled blocked trades or initial public offerings (IPOs) to these accounts.
- The fairness policy stated that preference may be given to weaker performing accounts or accounts of a certain size. As well, weaker performing accounts were shown preference during the allocation of a partial fill of a block trade.
- The fairness policy did not reflect actual trading practices.

### ***Suggested practices***

ICPMs should tailor their fairness policy to address all relevant areas of their business. See OSC Staff Notice 33-723 *Fair Allocation of Investment Opportunities Compliance Team Desk Review* for additional guidance.

At a minimum, the fairness policy should state:

- how prices and commissions are allocated among client accounts when trades are blocked
- how block trades and IPOs are allocated among client accounts when there is only a partial fill (e.g. pro-rata)
- the process for determining which clients will participate in IPOs
- the process for allocating prices and commissions for block trades that are filled in different lots and/or at different prices
- policies on filling clients' trades before filling accounts of proprietary or personal accounts when blocked trades are partially filled

## **3. KYC and suitability information**

ICPMs are required to collect and document current KYC information so they can assess the general investment needs of their clients and the suitability of proposed transactions (see section 1.5 of OSC Rule 31-505 – *Conditions of Registration* (OSC Rule 31-505)). ICPMs should collect and document client information such as investment objectives, risk tolerance, investment restrictions, investment timeframe, annual income and net worth.

During our reviews, we observed the following:

- No KYC and suitability information was collected or documented.
- KYC information was incomplete.
- KYC information was not updated periodically.

- KYC information was not formally documented.
- Written policies and procedures on collecting and documenting KYC and suitability information did not reflect actual practices.

***Suggested practices***

- Collect complete KYC information for all clients, including clients who buy non-prospectus qualified investment offerings.
- Update KYC information at least once a year.
- Ensure that clients sign the KYC form.
- Maintain a pending file for incomplete KYC forms and clear them on a timely basis, in particular before executing any trades for the client.

**4. Marketing**

All marketing materials must include information that is accurate, complete and not misleading to clients. Subsection 2.1(1) of OSC Rule 31-505 requires ICPMs to deal fairly, honestly, and in good faith with clients.

During our reviews, we observed the following:

- Internal marketing requirements were not met (e.g. procedures in policies and procedures manual were not followed).
- Marketing materials had incorrect information (e.g. incorrect data or statistics).
- Marketing materials had not been reviewed or approved.
- There was no disclosure to clients about whether performance returns were calculated gross or net of fees.
- Returns were compared to inappropriate benchmarks or there was inadequate disclosure about relevant differences between benchmarks and the investment strategies.
- Composites were not constructed properly, for example, all relevant accounts in a composite were not included or new accounts were not included in a composite on a timely basis.
- Marketing materials included claims of compliance with the Global Investment Performance Standards (GIPS) when not all of the requirements were met.
- Exaggerated and/or unsupported claims were made in marketing materials.

***Suggested practices***

- Update marketing material regularly to ensure all information is complete, accurate and not misleading to clients.
- Establish and enforce procedures for preparing, reviewing and approving marketing materials.
- Establish guidelines on preparing performance data, using benchmarks and constructing composites.
- Require someone not involved in preparing marketing materials to review and approve the content for accuracy and compliance with securities legislation.

**5. Portfolio management, including advisory contracts**

Section 1.2 of OSC Rule 31-505 requires ICPMs to develop written procedures for dealing with clients. The written procedures should conform to prudent business practice and enable ICPMs to serve their clients adequately. This includes advisory agreements for portfolio management of discretionary accounts and for portfolio management activities that advisers perform on behalf of their clients.

Advisory agreements should contain adequate disclosure of all material facts, including the responsibilities of each party, the client's investment objectives and restrictions, the timing and billing of fees, the degree of discretion in managing client assets and terms for ending the agreement.

During our reviews, we observed the following:

- There were no advisory agreements with clients.
- The client's investment objectives and restrictions were not documented.
- Portfolio holdings were inconsistent with the stated investment restrictions.
- Responsibility for voting client proxies was not addressed.
- Responsibility for insider reporting or early warning reporting on the client's behalf was not addressed.
- No written consent was obtained for investments in issuers where responsible persons are directors or officers of the issuers.

***Suggested practices***

- Have clients sign advisory agreements before ICPMs begin managing the account.
- Update advisory agreements when terms change.
- Include details about the roles and responsibilities of each party in advisory agreements.
- Review client holdings frequently to ensure that they are consistent with stated investment objectives and restrictions.
- Obtain written consent from the client before investing in issuers where responsible persons are directors or officers.

**6. Statement of policies**

ICPMs are required to disclose certain relationships when they provide advice relating to their own securities or to securities of certain issuers who are connected or related to them. Every registrant is required to include this disclosure in a statement of policies. Regulation 223 requires that registrants prepare and file a statement of policies with the OSC and provide a copy to their clients.

During our reviews, we observed the following:

- There was no statement of policies.
- The most current statement of policies was not filed with the OSC or provided to clients, or both.
- ICPMs did not describe their policies regarding their activities as an adviser on securities of related issuers and in the course of distribution, securities of connected issuers.
- ICPMs did not list related issuers who were reporting issuers.
- ICPMs did not adequately describe the nature of their relationships with related issuers that are reporting issuers.

***Suggested practices***

- Prepare and file a current statement of policies with the OSC and distribute it to all clients.
- If a significant change occurs, file a revised statement of policies with the OSC and distribute it to all clients.
- Include in the statement of policies a complete listing of all related issuers that are reporting issuers and a concise description of the nature of the relationship with each related issuer.

- Include in the statement of policies the disclosure required in Regulation 223(1)(d) in bold type.

### **7. Policies and procedures manual**

Section 1.2 of OSC Rule 31-505 requires ICPMs to establish and enforce written policies and procedures that will enable them to serve their clients adequately. ICPMs are required to maintain a policies and procedures manual, which also includes all relevant regulatory requirements.

During our reviews, we observed the following:

- The procedures used in practice were inconsistent with the procedures outlined in the manual.
- The procedures outlined in the manual did not apply to the type of business conducted (i.e. they were generic and were not customized to the ICPM's business).
- Procedures for key areas of the business were missing.
- There was insufficient detail about policies and procedures.

### **Suggested practices**

Policies and procedures that are clearly documented and enforced contribute to a strong compliance environment. ICPMs should establish and enforce written policies and procedures that are sufficiently detailed and cover all areas of their business. ICPMs should also regularly evaluate, review and update their policies and procedures for changes in industry practice or securities legislation. A copy of the manual should be readily accessible by all employees of the ICPM.

The following is a list of topics and guidelines that should be included in a standard manual:

#### *Marketing*

- how to prepare, review and approve marketing materials to prevent false or misleading statements and to ensure compliance with securities legislation
- how to prepare performance data, use benchmarks and construct composites to be used in marketing materials
- procedures for ensuring:
  - marketing materials are reviewed and approved by someone other than the preparer
  - compliance with securities legislation, including prohibitions on holding out a non-registered person as being registered, on advertising of registration, representations that the OSC has endorsed the financial standing, fitness or conduct of any registrant

#### *Portfolio management*

- how to collect and document client KYC and suitability information and how frequently it should be updated
- guidance on proxy voting to deal with issues such as executive compensation (e.g. stock options), take-over protection (poison pills) and acquisitions
- procedures to ensure compliance with clients' specified investment restrictions or other instructions
- guidelines on:
  - performing sufficient research to support investment decisions
  - supervising sub-advisers and associate portfolio managers
- procedures for ensuring:
  - that investments and trades are suitable for each client



- compliance with regulatory and other investment restrictions, for example NI 81-102

*Trading and brokerage*

- guidelines on:
  - how brokers are selected
  - soft dollar arrangements with brokers
- policies for:
  - obtaining best price and best execution for clients
  - allocating investment opportunities fairly among client accounts
  - executing trades in a timely manner and according to instructions
- procedures for monitoring and resolving failed trades and trading errors

*Personal trading and conflicts of interest*

- procedures for approving personal trades, including requiring written pre-approval
- definition of material non-public information
- policies and procedures to restrict the dissemination of any non-public information

*Referral arrangements*

- criteria used for setting up referral arrangements
- procedures for reviewing and approving referral arrangements before they are signed
- guidelines for ensuring that clients receive appropriate and adequate disclosure of referral arrangements

*Money laundering prevention*

- definition of "money laundering" and examples of suspicious transactions
- handling of prescribed and suspicious transactions
- procedures to report prescribed and suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada
- documenting the records that should be maintained under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations, and the period for which these records should be maintained
- establishing a compliance regime to ensure you meet your obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations

*Compliance and supervision structure*

- handling of client complaints
- opening and closing of client accounts
- insider and early warning reporting, including collecting and updating clients' status as insiders of reporting issuers
- identification, monitoring and resolution of client complaints

- dealing with clients resident in jurisdictions where their adviser is not registered
- preparation, review and monitoring of monthly capital calculations
- guidelines on the maintenance of books and records

#### **8. Personal trading**

ICPMs are required to establish and enforce written procedures on dealing with clients. These procedures must conform to prudent business practice.

The establishment and enforcement of a policy on the personal trading of all employees is a prudent business practice. This ensures compliance with Part XXI - *Insider Trading and Self-Dealing* of the Act and helps prevent and detect conflicts of interest and abusive practices. For example, under section 119 of the Act, no person can purchase or sell securities for his or her account where a client's investment portfolio holds the same security and where the person has information relating to the securities and uses the information to his or her benefit or advantage.

In this report, employees who have access to investment information about client portfolios are referred to as "access persons".

During our reviews, we observed the following:

- There were no personal trading policies.
- Personal trades did not require pre-clearance.
- Employees were not required to sign a code of ethics or annual certification of compliance with the code.
- Individuals with access to investment decision making were not subject to personal trading policies.
- There was no evidence that personal trading had been reviewed.
- Personal trading policies and procedures were not adequately enforced.

#### **Suggested practices**

- Distribute clear personal trading restrictions and reporting obligations to all employees and access persons.
- Develop and implement personal trading policies.
- Include blackout periods, the requirement for pre-approval of all personal trades and a timely review of brokerage statements in personal trading procedures.
- Require all access persons to acknowledge every year in writing that they understand and will follow the firm's personal trading policies.
- Require all access persons to direct their brokers to send statements of their accounts directly to the officer responsible for monitoring the personal trading policy.
- Maintain a record of personal trade pre-approvals and brokerage statements of access persons as proof that personal trading is being monitored.
- Have the Compliance Officer review and oversee all personal trading records.

#### **9. Capital calculations**

ICPMs are required to prepare monthly calculations of minimum free capital and capital required within a reasonable period of time after each month end (see paragraph 10 of Regulation 113(3)). Capital calculations must be based on monthly financial statements prepared in accordance with generally accepted accounting principles (GAAP). If an ICPM becomes capital deficient, it is required to inform the OSC immediately and to correct the capital deficiency within 48 hours.

Our practice is to impose terms and conditions on all registrants that are identified as capital deficient. This includes providing us with unaudited financial statements and capital calculations each month.

During our reviews, we observed the following:

- Capital calculations were not prepared monthly or were not prepared on a timely basis. This suggested that the firm was not regularly monitoring its capital.
- Capital calculations were incorrect.
- The insurance deductible on the financial institution bond was not included in the calculation or was incorrect.
- The minimum capital deduction was incorrect.
- Financial statements were not prepared in accordance with GAAP.
- There was no evidence that someone other than the preparer reviewed the calculation.
- Copies of monthly capital calculations were not maintained.
- ICPMs were capital deficient for a period of time.

***Suggested practices***

- Calculate the capital position monthly and base it on financial statements prepared in accordance with GAAP.
- Maintain copies of the calculations.
- Have someone other than the preparer review the calculations to ensure they are accurate. Keep a record of the review.
- Inform the OSC immediately if the ICPM's capital position becomes deficient or it repays subordinated debt.

***10. Registration issues***

Paragraph (1)(c) of section 25 of the Act states that no person or company shall act as an adviser unless registered to do so. ICPMs are responsible for ensuring that they maintain appropriate registration for the activities conducted.

ICPMs are required to notify the OSC of any change in the status of directors and/or officers within five business days. ICPMs are also required to notify the OSC of the opening of any office or branch, and of any changes in the status of the compliance officer, portfolio managers and representatives. Multilateral Instrument 33-109 – *Registration Information* sets out the requirements for changes to registered firm and individual information.

During our reviews, we observed the following:

- Affiliated entities of the ICPMs were performing advisory activities but were not registered.
- Portfolio managers, representatives or compliance officers were not registered with the OSC.
- The OSC was not notified of changes in registration.
- Trade names or parent company names were used in signage, correspondence, business cards and marketing materials without notifying the OSC.
- ICPMs were performing activities that require registration as an LMD, but were not registered as an LMD.
- ICPMs had advisory clients in jurisdictions where they were not registered and had not taken appropriate steps to determine whether they required registration in those jurisdictions.

***Suggested practices***

- Promptly notify the OSC of all changes to registration.
- Promptly register branch office locations.

- Notify the OSC when trade names are used.
- Ensure that individuals who provide advice to others are appropriately registered as portfolio managers.

**7. Significant ICPM deficiencies**

As noted in our 2006 annual report, we have made several enhancements to our deficiency reports. One of the major changes was identifying significant deficiencies in reports issued after April 1, 2005 (fiscal 2005-06). This information is intended to assist senior management of the ICPM in focusing on the key issues. It also highlights the areas of regulatory concern so we can take appropriate action to improve compliance.

We have established various criteria to assess whether a deficiency is significant, including:

- risk to client assets
- conflicts of interest
- misleading information to clients
- ineffective compliance structure

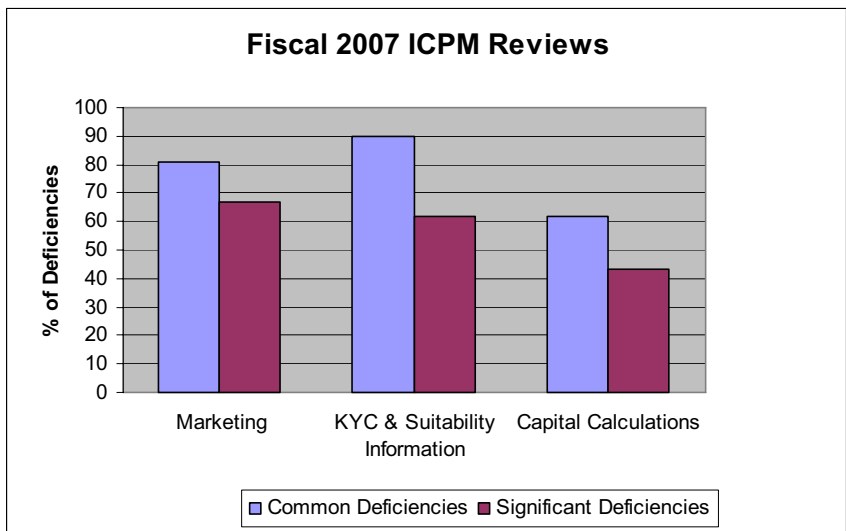
We also take into account other factors, including:

- current issues, such as best execution and referral arrangements
- the frequency of findings
- the impact of the deficiency on the market participant's operations

The field reviews of ICPMs in fiscal year 2007 resulted in an average of 17 deficiencies per review. An average of six or 35% of these deficiencies were identified as significant.

The following chart shows the top three significant deficiencies of ICPMs for the year ended March 31, 2007 and the corresponding frequency of common deficiencies<sup>4</sup>. For suggested practices, please refer to section 6 of this report.

We only showed the top three significant deficiencies as the percentages were relatively higher than other deficiencies category. Please also note that the top three significant deficiencies are not the same as the top three common deficiencies. As mentioned above, we applied various criteria and professional judgment when determining whether a deficiency should be identified as significant.



<sup>4</sup> In our 2006 annual report, the top three significant deficiencies were marketing, personal trading, and KYC and suitability information.

Note: The percentage of deficiencies is calculated based on the ICPM reviews we performed during fiscal 2007 and does not represent the whole ICPM population.

## 1. Marketing

Marketing still remains the top significant deficiency. We found issues in the following major areas during our field reviews:

- (a) **Improperly constructed performance composites.** Some ICPMs did not have adequate procedures and controls for ensuring that performance composites are constructed consistently and accurately. For example, ICPMs did not include all clients with the same investment strategy in the composite and they tended to “cherry pick” the accounts included in the performance composites. In addition, there was no disclosure about whether the performance returns were calculated gross or net of fees.
- (b) **Inappropriate use of benchmarks.** Some ICPMs compared the return of their funds or accounts to benchmarks that were inappropriate or not relevant. For example, they used benchmarks that differed significantly from the composition and investment strategy of their funds or accounts without adequate disclosure to make the comparison fair and not misleading.
- (c) **Linking performance returns of other funds.** Some ICPMs presented and linked the performance returns of a sample of managed accounts with another fund with similar investment objectives and risks that the ICPM managed. They used different methods of calculating returns for the managed accounts and the fund but linked the returns together as if they were the fund’s returns. It is misleading to present and link these returns in the same graph because it appears that the track record for the fund is longer than it is.
- (d) **Exaggerated claims.** Some marketing materials contained exaggerated claims about the ICPM’s skills, performance or services. For example, statements such as “our investment experience and qualifications are outstanding” and “superior performance” were made in marketing materials. These claims were made without adequate support to ensure that clients were not misled by the claims.

### *Our response*

Marketing remains the top significant deficiency. Some of the marketing issues we identified in our field reviews (noted above) are consistent with our findings in the marketing sweep. To improve compliance, we will be issuing an industry report in the near future on the results of our marketing sweep. The report will summarize our key findings and provide guidance to the industry on best practices. We strongly encourage ICPMs to look to the industry report to enhance compliance.

## 2. KYC and suitability information

We identified significant deficiencies in the area of KYC and suitability information. Examples included:

- Not collecting and documenting sufficient KYC and suitability information from clients, for example, investment objectives, risk tolerance and time horizon.
- ICPMs did not have a written investment mandate with clients and we could not determine whether the managed portfolios were suitable for clients.
- KYC information was not updated to reflect changes in clients’ investment objectives, risk tolerance and financial condition.

We will continue to monitor and to focus on these areas in our regular compliance reviews.

## 3. Capital calculations

We identified significant deficiencies in the area of capital calculations. As mentioned in section 6, this year we focused our ICPM reviews on smaller registrants with assets under management of less than \$250 million. We found that some ICPMs did not prepare monthly capital calculations. Some ICPMs were capital deficient in a number of instances during the review period and they did not notify the OSC immediately. To address this issue, we imposed terms and conditions on these registrants and required them to file monthly unaudited financial statements and capital calculations with the Compliance team. We will closely monitor these ICPMs to ensure compliance.

We will continue to monitor and to focus on these areas in our regular compliance reviews.

## 8. Addressing the deficiencies

At the end of each review, we issue a deficiency report identifying areas of non-compliance with securities law. A market participant has 30 days to respond to our report. The written response should set out the steps that the market participant will take, or has taken, to address the deficiencies. If we are not satisfied with the response, we will send follow-up letters until all matters are resolved. When we are satisfied, we issue a closing letter to the market participant, which concludes the field review process. However, there are situations where a report alone may not be adequate to address the deficiencies.

Depending on the severity of issues identified, we may use one or more of the following regulatory tools:

- closely monitor the market participant
- hold an examination of the registrant under Section 31
- impose terms and conditions on registration
- refer the matter to Enforcement for further follow up and appropriate action

During the past fiscal year, the majority of our reviews were resolved to our satisfaction. To a limited extent, we also imposed terms and conditions on registration or referred the matter to Enforcement.

## 9. Seeking input from our market participants

We recognize the importance of seeking input from our market participants and value their feedback. Over the past few years, we have consulted with our market participants on how we can improve our field review process. Last year, we introduced a more formal process with surveys.

In October 2006, we sent a survey to all ICPMs and asked them for input on our 2006 report on the following areas:

- content and clarity
- usefulness of the annual report
- new areas to be included in the annual report
- areas for improvement

We also asked ICPMs we reviewed in the prior two years to give us suggestions on how we can enhance or improve our compliance field review process.

We received very positive feedback from ICPMs on the content of our report and its usefulness in enhancing compliance. Some ICPMs suggested that a section on new and proposed rules would be helpful to them, which we incorporated into this year's annual report.

In January 2007, we started sending a survey to market participants after their field review. The purpose of the survey is to seek further input on our field review process. Although response to our survey is voluntary, we strongly encourage you to provide us with your input so that we can continue to improve our regulatory services.

## Contact information

For more information, please contact:

Carlin Fung, CA  
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Accountant, Compliance

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Marriane Bridge, CA  
Manager, Compliance

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phone (416) 595-8907

August 24, 2007

**1.1.4 Notice of Commission Approval – Material Amendments to CDS Procedures Relating to Security Master File Enhancement**

**CDS CLEARING AND DEPOSITORY SERVICES INC.**

**MATERIAL AMENDMENTS TO CDS PROCEDURES**

**SECURITY MASTER FILE ENHANCEMENT**

**NOTICE OF COMMISSION APPROVAL**

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on August 17, 2007, amendments filed by CDS to its procedures relating to security master file enhancements. The amendments will include an additional field in the Security Master Field to enable the setting of a limit on the minimum trading unit for a security. A copy and description of these amendments were published for comment on June 22, 2007 at (2007) 30 OSCB 5798. No comments were received.

**1.1.5 Notice of Approval – Application to Vary the Recognition and Designation Order of CDS**

**APPLICATION TO VARY THE  
RECOGNITION AND DESIGNATION ORDER OF  
THE CANADIAN DEPOSITORY FOR  
SECURITIES LIMITED AND  
CDS CLEARING AND DEPOSITORY SERVICES INC.**

**NOTICE OF APPROVAL**

On August 9, 2007, the Commission issued an order pursuant to section 144 of the *Securities Act* (Ontario) varying the recognition and designation order of The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. (collectively, "CDS") in connection with certain proposed changes to CDS's governance structure.

The Commission published for comment the CDS application on June 1, 2007 at (2007) 30 OSCB 5185. No comments were received.

The order is published in Chapter 2 of this bulletin.

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## Chapter 2

# Decisions, Orders and Rulings

## 2.1 Decisions

### 2.1.1 Acuity Funds Ltd. and Acuity Clean Environment Global Equity Fund - MRRS Decision

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Approval of mutual fund merger – Approval required because merger does not meet the criteria for pre-approval outlined in section 5.6 of NI 81-102 – Merger will be effected on a taxable basis – Securityholders of terminating fund provided with timely and adequate disclosure regarding the merger.

#### Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6(1).

August 16, 2007

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,  
NOVA SCOTIA, PRINCE EDWARD ISLAND,  
NEWFOUNDLAND AND LABRADOR,  
YUKON TERRITORY AND NORTHWEST TERRITORIES  
(the “Jurisdictions”)

AND

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

AND

IN THE MATTER OF  
ACUITY FUNDS LTD. (“ACUITY”)  
AND  
ACUITY CLEAN ENVIRONMENT  
GLOBAL EQUITY FUND (the “Terminating Fund”)

#### MRRS DECISION DOCUMENT

#### Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from Acuity on behalf of the Terminating Fund for a decision under the securities legislation of the Jurisdictions (the “Legislation”) granting approval for the proposed merger (the “Merger”) of the Terminating Fund

into Acuity Clean Environment Equity Fund (the “Continuing Fund”, together with the Terminating Fund, the “Funds”) under subsection 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* (“NI 81-102”) (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (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 Acuity:

#### *Acuity*

1. Acuity is a corporation governed by the laws of Ontario and is the manager and trustee of the Funds. The head office of Acuity is located in Ontario.

#### *The Funds*

2. Each Fund is an open-end mutual fund trust created under the laws of Ontario. The Funds are members of the “Acuity Funds” family and offer Class A and Class F units in all of the Jurisdictions under a simplified prospectus and annual information form dated October 18, 2006, as amended (the “Prospectus”). The Funds also offer Class I units on a private placement basis under applicable prospectus exemptions.
3. The Funds are reporting issuers under the applicable securities legislation of the Jurisdictions and are not on the list of defaulting reporting issuers maintained under the applicable securities legislation of the Decision Makers.
4. Unitholders of the Continuing Fund approved a change to the Fund’s fundamental investment objectives at a special meeting of unitholders of the Continuing Fund held on August 7, 2007. The change removed the 30% limit on foreign property

investments as currently disclosed in the investment strategy section of the Prospectus. As a result, a reasonable person may consider the fundamental investment objective of the Terminating Fund to be substantially similar to the fundamental investment objective of the Continuing Fund

*Merger*

5. Acuity proposes to merge the Terminating Fund into the Continuing Fund. A press release, material change report and amendment to the Prospectus were filed on SEDAR in June 2007 in connection with the Merger.
6. A notice of meeting and management information circular (the "**Circular**") in connection with the Merger was filed on SEDAR on July 19, 2007 and was mailed to unitholders of the Terminating Fund on or before July 17, 2007.
7. Unitholders of the Terminating Fund approved the Merger at a special meeting of unitholders that took place on August 7, 2007.
8. Subject to the required approval of the Decision Makers, the Merger will be implemented before September 30, 2007.
9. Following the Merger, the Continuing Fund will continue as a publicly offered open-end mutual fund and the Terminating Fund will be wound up as soon as reasonably practicable.
10. Neither the Terminating Fund nor the Continuing Fund will bear any of the costs and expenses of the Merger, including brokerage commissions resulting from the need for portfolio realignment.
11. Unitholders of the Terminating Fund will continue to have the right to redeem units of the Terminating Fund for cash at any time up to the close of business on the business day immediately preceding the effective date of the Merger.
12. Unless an exemption has been obtained, each of the Funds follows the standard investment restrictions and practices established by the Decision Makers.
13. The net asset value for each series of units of each of the Funds is calculated on a daily basis on each day that The Toronto Stock Exchange is open for trading.
14. The portfolio assets of the Terminating Fund to be acquired by the Continuing Fund will be acceptable to the portfolio adviser of the Continuing Fund and consistent with the Continuing Fund's investment objectives.

15. Approval of the Merger is required because the Merger does not satisfy all of the criteria for pre-approval reorganizations and transfers set out in section 5.6 of NI 81-102 because contrary to section 5.6(1)(b), the Merger will not be effected as a "qualifying exchange" or as a tax-deferred transaction as such terms are defined or understood under the *Income Tax Act* (Canada).
16. The tax implications of the Merger as well as the differences between the Terminating Fund and the Continuing Fund are described in the Circular so that the unitholders of the Terminating Fund could consider this information before voting on the Merger.
17. Implicit in the approval by unitholders of the Merger is the adoption by the Terminating Fund of the fundamental investment objective of the Continuing Fund. Investors in the Terminating Fund were asked to review those parts of the Circular which describe the change in fundamental investment objective for the Continuing Fund when considering the merits of the Merger of the Terminating Fund into the Continuing Fund.
18. Acuity believes that the Merger is in the best interests of the unitholders of the Terminating Fund for the following reasons:
  - (a) unitholders of the Terminating Fund will enjoy increased economies of scale as part of a larger Continuing Fund;
  - (b) the Merger will eliminate the administrative and regulatory costs of operating the Terminating Fund as a separate mutual fund;
  - (c) the Continuing Fund will have a portfolio of greater value allowing for increased portfolio diversification opportunities; and
  - (d) the Continuing Fund, as a result of its greater size, will benefit from a larger profile in the marketplace.

**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 hereby approved.

"Darren McCall"  
Acting Director, Investment Funds Branch  
Ontario Securities Commission

2.1.2 Rutter Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 51-102 Continuous Disclosure Obligations, s.13.1 – Application by issuer for relief from requirement to include certain financial statements in a business acquisition report (BAR) – Issuer indirectly acquired the business of an operating subsidiary entity through share acquisition of two holding entities – Holding entities did not have business operations or material assets or liabilities - Issuer granted relief from requirements in NI 51-102 to include in the BAR financial statements of the two holding entities and pro forma financial statements of the issuer after giving effect to the acquisition of the shares of the two holding entities – Relief subject to condition that BAR include the prescribed financial statements of the operating subsidiary entity and pro forma financial statements of the issuer after giving effect to the acquisition of the operating subsidiary entity.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations, ss. 8.4, 13.1.

August 16, 2007

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, ONTARIO,  
QUEBEC AND NEWFOUNDLAND AND LABRADOR  
(the “Jurisdictions”)

AND

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

AND

IN THE MATTER OF  
RUTTER INC. (the “Filer”)

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 Filer for a decision under the securities legislation of each of the Jurisdictions (the “Legislation”) that the Filer is exempt from the requirement in Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”) to include the following financial statements in the business acquisition report (“BAR”) to be filed by the Filer in connection with the acquisition of the business of Hinz Automation Inc. (“HAI”) which was completed on June 6, 2007 (the “Acquisition”):

- (a) for each of Hinz Enterprises Inc. (“HEI”) and Hinz Automation Holdings Inc. (“HAHI”), audited financial statements for the year ended September 30, 2006;
- (b) for each of HEI and HAHI, financial statements for the year ended September 30, 2005;
- (c) for each of HEI and HAHI, interim financial statements for the six-month periods ended March 31, 2007 and 2006; and
- (d) for the Filer, the following pro forma financial statements after giving effect to the acquisition of the shares of each of HEI (“HEI Shares”) and HAHI (“HAHI Shares”):
  - (i) a pro forma balance sheet as at May 31, 2007,
  - (ii) a pro forma income statement for the nine-month period ended May 31, 2007,
  - (iii) a pro forma income statement for the year ended August 31, 2006, and
  - (iv) pro forma earnings per share based upon the pro forma income statements referred to in this paragraph (d),

(collectively, the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (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 otherwise defined in this decision.

Representations

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

1. The Filer was incorporated under the *Canada Business Corporations Act* (Canada) on May 9, 2003.
2. The Filer’s head office is located at 70 Brookfield Road, St. John’s, Newfoundland and Labrador, A1E 3T9.
3. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of its obligations as a reporting issuer under the Legislation nor is it

- on the list of defaulting reporting issuers established under the Legislation by any Decision Maker.
4. The authorized capital of the Filer consists of an unlimited number of common shares (the "**Common Shares**") of which, as of August 9, 2007, 79,343,234 Common Shares were issued and outstanding.
5. The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "RUT".
6. The Filer's financial year end is August 31.
7. The Filer completed the Acquisition by acquiring all of the issued and outstanding shares of the two holding companies, HAHl and HEI, which together provided the Filer with a 100% indirect ownership of HAI through HAHl and HEI. The determination to complete the Acquisition by such share acquisitions was due to the pre-transaction existing structure and income tax considerations which dictated that the corporate structure be left intact until immediately following the closing of the Acquisition.
8. Throughout the period commencing two years prior to the Acquisition and at the time of the Acquisition, HEI:
- (a) owned approximately 40% of the issued and outstanding HAHl Shares, and various employees of HAI held the remaining issued and outstanding HAHl Shares;
  - (b) did not have any revenues other than share of earnings of HAHl and sundry items;
  - (c) did not have any assets other than the HAHl Shares, cash and taxes recoverable;
  - (d) did not have any expenses except those nominal expenses associated with general administrative matters of minimal significance;
  - (e) did not have any liabilities other than related persons;
  - (f) did not conduct any operations or business; and
  - (g) functioned solely as a corporate holding company.
9. Throughout the period commencing two years prior to the Acquisition and at the time of the Acquisition, HAHl:
- (a) owned 100% of the issued and outstanding HAI Shares;
  - (b) did not have any revenues other than share of earnings of HAI;
  - (c) did not have any assets other than the HAI Shares, cash, taxes recoverable and notes receivable due from HAI;
  - (d) did not have any expenses except those nominal expenses associated with general administrative matters of minimal significance;
  - (e) did not have any liabilities other than accounts payable;
  - (f) did not conduct any operations or business; and
  - (g) functioned solely as a corporate holding company.
10. The annual financial statements of HEI and HAHl have not been audited or reviewed by an auditor. Neither HEI nor HAHl has prepared interim financial statements.
11. Throughout the period commencing two years prior to the Acquisition and at the time of the Acquisition, HAI was the operating entity which, either directly or indirectly, conducted all of the business which was acquired by the Filer pursuant to the Acquisition.
12. Upon completion of the Acquisition, the Filer held 100% of the HEI Shares, 100% of the HAHl Shares (of which 40% were held indirectly through HEI), and 100% of the HAI Shares (all of which were held indirectly through HAHl).
13. Immediately following completion of the Acquisition, HEI, HAHl, HAI and Rutter Engineering & Automation Inc., a wholly-owned subsidiary of the Filer, completed certain corporate restructurings such that effective June 6, 2007, all four companies were amalgamated into a single company, Rutter Engineering & Automation Inc., wholly owned by the Filer, which owns all of the assets and conducts all of the business previously owned and operated by each of HAI and the Filer. Consequently, HAI, HEI and HAHl ceased to exist on June 6, 2007.
14. The Acquisition constitutes a "significant acquisition" for the Filer for the purposes of NI 51-102 and therefore the Filer is required to file a BAR within 75 days after the date of the Acquisition, such date being August 20, 2007.

15. Pursuant to section 8.4 of NI 51-102, the Filer is required to include the following financial statements in the BAR:

- (a) for each of HAI, HEI and HAHI, the audited financial statements for the year ended September 30, 2006;
- (b) for each of HAI, HEI and HAHI, the financial statements for the year ended September 30, 2005;
- (c) for each of HAI, HEI and HAHI, the financial statements for the six-month periods ended March 31, 2007 and 2006; and
- (d) for the Filer, the following pro forma financial statements after giving effect to each of the Acquisition, the acquisition of the HEI Shares and the acquisition of the HAHI Shares:
  - (i) the balance sheet as at May 31, 2007;
  - (ii) the income statement for the nine-month period ended May 31, 2007;
  - (iii) the income statement for the year ended August 31, 2006; and
  - (iv) the earnings per share based upon the income statements referred to in this paragraph (d).

Filer referenced in clause (d) of paragraph 15 above after giving effect to the Acquisition.

“Lisa Enright”  
Assistant Manager, Corporate Finance  
Ontario Securities Commission

16. The financial statements of HAI and the Filer’s pro forma financial statements after giving effect to only the Acquisition, as referred to in paragraph 15 above, will provide investors with all necessary disclosure regarding the Filer and the Acquisition. The individual financial statements for HEI and HAHI and the Filer’s pro forma financial statements after giving effect to the acquisition of each of the HEI Shares and HAHI Shares, as referred to in paragraph 15 above, are not relevant for investors.

**Decision**

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the BAR includes the financial statements of HAI for the periods referenced in clauses (a), (b) and (c) of paragraph 15 above, and the pro forma financial statements of the

**2.1.3 Algoma Steel Inc. - MRRS Decision**

In this decision,

**Headnote**

Subsection 1(10) of the Securities Act – Application by reporting issuer for an order that it is not a reporting issuer – Requested relief granted.

**Applicable Legislative Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

**August 14, 2007**

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

**AND**

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

**AND**

**IN THE MATTER OF  
ALGOMA STEEL INC.  
(the Filer)**

**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 Filer for a decision under the securities legislation of the Jurisdictions (the “**Legislation**”) that the Filer is not a reporting issuer (the “**Requested Relief**”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (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.

“**AAC**” means Algoma Acquisition Corp.;

“**Algoma**” means Algoma Steel Inc., a predecessor to the Filer;

“**Arrangement**” means the acquisition by AAC of all of Algoma’s outstanding common shares for cash consideration of CDN \$56.00 per share pursuant to a court-approved plan of arrangement under Section 182 of the *Business Corporations Act* (Ontario);

“**Essar**” means Essar Steel Holdings Limited;

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended;

“**Noteholders**” means the holders of the Notes;

“**Notes**” means the USD \$450 million aggregate principal amount of senior unsecured notes due in 2015 issued and sold by AAC;

“**SEC**” means the U.S. Securities and Exchange Commission; and

“**Trust Indenture**” means the trust indenture dated as of June 20, 2007 between Algoma Acquisition Corp. and Wilmington Trust Company in respect of the Notes.

**Representations**

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

1. the Filer is a corporation governed by the laws of Ontario with its head office in Sault Ste. Marie, Ontario;
2. pursuant to an arrangement agreement dated April 14, 2007 among Essar, AAC and Algoma, a predecessor to the Filer, AAC, acquired all of the outstanding common shares of Algoma through the Arrangement;
3. the Arrangement was approved by 82.6% of the votes cast at Algoma’s annual and special meeting of shareholders held on June 11, 2007;
4. the Arrangement was also approved by the Ontario Superior Court of Justice at the final order hearing held on June 13, 2007;
5. the Arrangement was completed on June 20, 2007. Following the closing of the Arrangement which was effective as at June 20, 2007, AAC became the sole owner of all of the outstanding common shares of Algoma;

6. the common shares of Algoma were de-listed from the Toronto Stock Exchange effective June 21, 2007;
7. on June 23, 2007, Algoma amalgamated with AAC to form the Filer;
8. following the amalgamation, the Filer's authorized share capital consists of an unlimited number of common shares, all of which are held by an indirect subsidiary of Essar;
9. the Filer is a reporting issuer in each of the Jurisdictions and is not in default of any of the reporting requirements under the Legislation;
10. concurrently with the closing of the Arrangement, the Notes were issued and sold in the United States to qualified institutional buyers and in Canada to a minimal number of accredited investors. Canadian sales of the Notes totalled USD \$14 million (representing 0.03% of total Note sales), which are held by 4 institutional holders in Ontario. The remaining USD \$436 million of Notes were sold to institutional buyers in the United States. The Notes are expected to be eligible for trading in The PORTAL<sup>SM</sup> Market, a subsidiary of The Nasdaq Stock Market, Inc.;
11. based upon the foregoing, residents of Canada:
  - (a) do not beneficially own directly or indirectly more than 2% of a class or series of the outstanding securities of the Filer; and
  - (b) do not represent in number more than 2% of the total number of owners directly or indirectly of a class or series of securities of the Filer;
12. the Filer has assumed all of AAC's obligations under the Trust Indenture relating to the Notes;
13. the Trust Indenture requires that: at any time when the Filer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Filer will file with the SEC via the SEC's EDGAR system, and will furnish to the trustee and the Noteholders (which may be done by posting such information on the Filer's website): (i) within 120 days after the end of each fiscal year, an annual report on SEC Form 20-F or Form 40-F, as applicable, containing the information required therein, including a report on the Filer's annual consolidated financial statements by the Filer's independent accounting firm; (ii) within 60 days after the end of each of the first three quarters of each year, all interim quarterly financial information that would be required to be contained in quarterly reports under the laws of Canada or the province of Ontario if the Filer were a "reporting issuer" or the equivalent
14. At any time when the Filer is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or if the Filer is so subject but is not required to make any filings with the SEC pursuant thereto, the Filer will furnish to the Noteholders and the trustee (which may be done by posting such information on the Filer's website): (i) within 120 days after the end of each fiscal year, all annual financial information that would be required to be included in Items 5 (management's discussion and analysis, liquidity and capital resources, trend information, off-balance sheet arrangements and contractual commitments) and Item 8 (financial information) of an annual report on SEC Form 20-F or the equivalent information required to be included in an annual report on SEC Form 40-F, including a U.S. GAAP reconciliation and a report on the Filer's annual consolidated financial statements by the Filer's independent accounting firm; and (ii) within 60 days after the end of each of the first three quarters of each year, all interim quarterly financial information that would be required to be contained in quarterly reports under the laws of Canada or the province of Ontario if the Filer were a "reporting issuer" or the equivalent under such laws, or that would be required to be provided to security holders of a company with securities listed on the Toronto Stock Exchange, whether or not the Filer has any of its securities so listed, in each case including a "management's discussion and analysis of financial conditions and results of operations";
15. the outstanding securities of the Filer, 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;
16. none of the Filer's securities are trade on a marketplace in Canada as defined in National Instrument 21-101 – *Marketplace Operation*;
17. the indenture governing the Notes does not provide that the Filer must remain a reporting issuer in Canada or a reporting company under the U.S. federal securities laws;
18. the Filer does not presently intend to seek public financing by way of an offering of its securities in

- Canada or to list its securities (debt or equity) on any stock exchange or market in Canada;
19. no other securities of the Filer are publicly held other than the Notes;
20. upon the grant of the Requested Relief, the Filer will not be a reporting issuer or the equivalent in any jurisdiction in Canada.

#### 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.

“Carol S. Perry”  
Commissioner  
Ontario Securities Commission

“Paul K. Bates”  
Commissioner  
Ontario Securities Commission

#### 2.1.4 Sceptre Investment Counsel Limited et al. - MRRS Decision

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – certain mutual funds granted exemptions from National Instrument 81-102 Mutual Funds to engage in short selling of securities up to 10% of net assets, subject to certain conditions and requirements.

#### Rules Cited

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

August 15, 2007

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

**AND**

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

**AND**

**IN THE MATTER OF  
SCEPTRE INVESTMENT COUNSEL LIMITED  
(the Filer)**

**AND**

**IN THE MATTER OF  
THE FUNDS LISTED IN SCHEDULE “A”  
(the Existing Funds)**

#### **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 Filer, on behalf of the Existing Funds and each mutual fund hereafter created and managed by the Filer or any of the affiliates of the Filer (the **Future Funds**, and together with the Existing Funds, the **Funds**), for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Funds from the following requirements of the Legislation, subject to certain terms and conditions:

- (a) the requirement contained in subsection 2.6(a) of National Instrument 81-102 *Mutual Funds* (**NI 81-**



102) prohibiting a mutual fund from providing a security interest over a mutual fund's assets;

- (b) the requirement contained in subsection 2.6(c) of NI 81-102 prohibiting a mutual fund from selling securities short; and
- (c) the requirement contained in subsection 6.1(1) of NI 81-102 prohibiting a mutual fund from depositing any part of a mutual fund's assets with an entity other than the mutual fund's custodian.

Paragraphs (a), (b) and (c) together shall be referred to as the Requested Relief.

Under the Mutual Reliance Review System (**MRRS**) for Exemption Applications:

- (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 Filer:

1. The Filer is a corporation established under the laws of Ontario and is the trustee and manager of the Existing Funds.
2. Each Fund is or will be an open-end mutual fund trust or a class of shares of a mutual fund corporation established under the laws of the Province of Ontario of which the Filer, or an affiliate of the Filer, is or will be the manager.
3. Each Fund is or will be a reporting issuer in all of the provinces and territories of Canada and distributes or will distribute securities under a simplified prospectus and annual information form and be otherwise subject to NI 81-102.
4. Except for specific exemptions or approvals granted by the relevant Decision Makers, the investment practices of each Fund will comply in all respects with the requirements of Part 2 of NI 81-102.
5. The Filer proposes that each Fund be authorized to engage in a limited, prudent and disciplined amount of short selling. The Filer is of the view that the Funds could benefit from the implementation and execution of a controlled and limited short selling strategy. This strategy would

complement the Funds' primary discipline of buying securities with the expectation that they will appreciate in market value.

6. Short sales will be made consistent with each Fund's investment objectives.
7. In order to effect a short sale, a Fund will borrow securities from either its custodian or a dealer (in either case, the **Borrowing Agent**), which Borrowing Agent may be acting either as principal for its own account or as agent for other lenders of securities.
8. Each Fund will implement the following controls when conducting a short sale:
  - (a) securities will be sold short for cash, with the Fund assuming the obligation to return to the Borrowing Agent the securities borrowed to effect the short sale;
  - (b) the short sale will be effected through market facilities through which the securities sold short are normally bought and sold;
  - (c) the Fund will receive cash for the securities sold short within normal trading settlement periods for the market in which the short sale is effected;
  - (d) the securities sold short will be liquid securities that:
    - (i) are listed and posted for trading on a stock exchange; and
      - (A) the issuer of the security has a market capitalization of not less than CDN \$300 million, or the equivalent thereof, of such security at the time the short sale is effected; or
      - (B) the Fund has pre-arranged to borrow for the purpose of such sale; or
    - (ii) are bonds, debentures or other evidences of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the United States of America;

- |   |   |
|---|---|
| <p>(e) at the time securities of a particular issuer are sold short:</p> <p>(i) the aggregate market value of all securities of that issuer sold short by the Fund will not exceed 5% of the total net assets of the Fund; and</p> <p>(ii) the Fund will place a “stop-loss” order with a dealer to immediately purchase for the Fund an equal number of the same securities if the trading price of the securities exceeds 120% (or such lesser percentage as the Manager may determine) of the price at which the securities were sold short;</p> <p>(f) the Fund will deposit Fund assets with the Borrowing Agent as security in connection with the short sale transaction;</p> <p>(g) the Fund will keep proper books and records of all short sales and Fund assets deposited with Borrowing Agents as security;</p> <p>(h) the Fund will develop written policies and procedures for the conduct of short sales prior to conducting any short sales; and</p> <p>(i) the Fund will provide disclosure in its prospectus of the short selling strategies and the details of this exemptive relief prior to implementing the short selling strategy.</p> | <p>3. no proceeds from short sales by the Fund will be used by the Fund to purchase long positions in securities other than cash cover;</p> <p>4. the Fund will maintain appropriate internal controls regarding its short sales including written policies and procedures, risk management controls and proper books and records;</p> <p>5. any short sales made by the Fund will be subject to compliance with the investment objectives of the Fund;</p> <p>6. the Requested Relief will not apply to a Fund that is classified as a money market fund or a short-term income fund;</p> <p>7. for short sale transactions in Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall be a registered dealer in Canada and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund;</p> <p>8. for short sale transactions outside of Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall:</p> <p>(a) be a member of a stock exchange and, as a result, be subject to a regulatory audit; and</p> <p>(b) have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements that have been made public;</p> <p>9. except where the Borrowing Agent is the Fund’s custodian, when the Fund deposits Fund assets with a Borrowing Agent as security in connection with a short sale transaction, the amount of Fund assets deposited with the Borrowing Agent does not, when aggregated with the amount of Fund assets already held by the Borrowing Agent as security for outstanding short sale transactions of the Fund, exceed 10% of the total assets of the Fund, taken at market value as at the time of the deposit;</p> <p>10. the security interest provided by the Fund over any of its assets that is required to enable the Fund to effect short sale transactions is made in accordance with industry practice for that type of transaction and relates only to obligations arising under such short sale transactions;</p> <p>11. prior to conducting any short sales, the Fund discloses in its simplified prospectus a description of: (i) short selling, (ii) how the Fund intends to engage in short selling, (iii) the risks associated with short selling, and (iv) in the Investment</p> |
|---|---|

**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 in respect of each Fund:

1. the aggregate market value of all securities sold short by the Fund will not exceed 10% of the net assets of the Fund on a daily marked-to-market basis;
2. the Fund will hold “cash cover” (as defined in NI 81-102) in an amount, including the Fund assets deposited with Borrowing Agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis;

Strategy section of the simplified prospectus, the Fund's strategy and this exemptive relief;

**SCHEDULE A**

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

SCEPTRE BALANCED GROWTH FUND  
SCEPTRE BOND FUND  
SCEPTRE HIGH INCOME FUND  
SCEPTRE CANADIAN EQUITY FUND  
SCEPTRE EQUITY GROWTH FUND  
SCEPTRE GLOBAL EQUITY FUND

- (a) that there are written policies and procedures in place that set out the objectives and goals for short selling and the risk management procedures applicable to short selling;
- (b) who is responsible for setting and reviewing the policies and procedures referred to in the preceding paragraph, how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors or trustee of the Funds in the risk management process;
- (c) trading limits or other controls on short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;
- (d) whether there are individuals or groups that monitor the risks independent of those who trade; and
- (e) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions;

13. prior to conducting any short sales, the Fund has provided to its securityholders not less than 60 days' written notice that discloses the Fund's intent to begin short selling transactions and the disclosure required in the Fund's simplified prospectus and annual information form as outlined in paragraphs 11 and 12 above, or the Fund's initial simplified prospectus and annual information form and each renewal thereof has included such disclosure; and

14. the Requested Relief shall terminate upon the coming into force of any legislation or rule of the Decision Makers dealing with matters referred to in subsections 2.6(a), 2.6(c) and 6.1(1) of NI 81-102.

"Vera Nunes"  
Assistant Manager, Investment Funds Branch  
Ontario Securities Commission

**2.1.5 Queenstake Resources Ltd. - s. 1(10)**

“Lisa Enright”  
Assistant Manager, Corporate Finance  
Ontario Securities Commission

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – application for an order that the issuer is not a reporting issuer.

**Ontario Statutes**

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

August 17, 2007

**VECTOR Corporate Finance Lawyers**

Barristers & Solicitors  
Suite 1040 – 999 West Hastings Street  
Vancouver, BC V6C 2W2

Attention: Brenda Grieser

Dear Sir/Mesdames:

**Re: Queenstake Resources Ltd. (the “Applicant”) – application for an order not to be a reporting issuer under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “Jurisdictions”)**

The Applicant has applied to the local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions for a decision under the securities legislation (the “Legislation”) of the Jurisdictions to not 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 not 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 not a reporting issuer.

**2.1.6 Royal Bank of Canada and RBC Subordinated Notes Trust - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Trust of Bank exempt from the requirements to file and deliver interim and annual financial statements, interim and annual Management’s Discussion and Analysis and an Annual Information Form pursuant to National Instrument 51-102 Continuous Disclosure Obligations and interim and annual certificates pursuant to Multilateral Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings subject to specified conditions, including the Bank remain a reporting issuer and is the beneficial owner of all issued and outstanding voting securities of the Trust.

**Applicable Instruments**

National Instrument 51-102 Continuous Disclosure Obligations, ss. 4.1, 4.3, 4.6, 5.1, 6.1,d 13.1.  
Multilateral Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, ss. 2.1, 3.1, 4.5.

(Translation)

August 14, 2007

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,  
NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR  
AND NORTHWEST TERRITORIES  
(collectively, the “Jurisdictions”)**

**AND**

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

**AND**

**IN THE MATTER OF  
ROYAL BANK OF CANADA AND  
RBC SUBORDINATED NOTES TRUST**

**MRRS DECISION DOCUMENT**

**Background**

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from Royal Bank of Canada (the “Bank”) and RBC Subordinated Notes Trust (the “Trust”) for a decision, pursuant to the securities legislation of the Jurisdictions (the “Legislation”), that the requirements contained in the Legislation to:

- (a) (i) file interim financial statements and audited annual financial statements and deliver same to the security holders of the Trust, pursuant to Sections 4.1, 4.3 and 4.6 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”);
  - (ii) file interim and annual management’s discussion and analysis (“MD&A”) of the financial conditions and results of operations and deliver same to the security holders of the Trust pursuant to Section 5.1 and 5.6 of NI 51-102;
  - (iii) file an annual information form pursuant to Section 6.1 of NI 51-102;
- (collectively, the “Continuous Disclosure Obligations”).
- (b) file interim and annual certificates contained in Parts 2 and 3 of Multilateral Instruments 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings* (“MI 52-109”) (the “Certification Obligations”);

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

Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”): (a) the Autorité des marchés financiers 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.

- “90-day Bankers’ Acceptance Rate” means, for any quarterly floating rate interest period, the average bid rate of interest (expressed as an annual percentage rate) rounded down to the nearest one hundred – thousandth of 1% (with 0.000005% being rounded up) for Canadian Dollar bankers’ acceptances with maturities of 90 days which appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Toronto time) on the first Business Day of such period, provided that if such rate does not appear on the Reuters Screen CDOR Page on such day, the 90-day Bankers’ Acceptance Rate for such period will be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian Dollar bankers’ acceptances with maturities of 90 days for same day settlement as quoted by such of the

Schedule I Canadian chartered banks as may quote such a rate as of 10:00 a.m. (Toronto time) on the first Business Day of such period.

- “Automatic Exchange” means the automatic exchange, without the consent of the holders, of each \$1,000 principal amount of RBC TSNs – Series A into an equal principal amount of subordinated debt of the Bank, upon the occurrence of a Loss Absorption Event or a Non-Deductibility Event.
- “Bank Act” means the *Bank Act* (Canada).
- “Bank Officers Certificates” means the interim and annual officers certificates filed by the Bank under MI 52-109.
- “Bank Series 10 Subordinated Notes” means the subordinated debt of the Bank issuable upon the occurrence of an Automatic Exchange.
- “Business Day” means a day on which Canadian chartered banks are open for business in Toronto, Ontario, other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.
- “Canada Yield Price” means a price equal to the price of the RBC TSNs – Series A, calculated on the Business Day preceding the day on which the redemption is authorized, to provide a yield from the date fixed for redemption to, but excluding, April 30, 2012 equal to the Government of Canada Yield, plus 11 basis points.
- “Government of Canada Yield” means the yield from the date fixed for redemption to, but excluding, April 30, 2012 assuming semi-annual compounding, which an issue of non-callable Government of Canada bonds would carry on the remaining term to, but excluding, April 30, 2012. The Government of Canada Yield will be calculated by two independent Canadian investment dealers selected by the Indenture Trustee and approved by the Bank.
- “Indenture Trustee” means Computershare Trust Company of Canada.
- “Loss Absorption Event” means the occurrence of any one of the following events: (i) an application for a winding-up

order in respect of the Bank pursuant to the Winding-Up Act is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to the Winding-Up Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; (iv) the Board of Directors of the Bank advises the Superintendent in writing that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (v) the Superintendent directs the Bank, pursuant to the Bank Act, to increase its capital or provide additional liquidity and the Bank elects to cause the Automatic Exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified.

- “Prospectus” means the short form prospectus of the Trust dated April 24, 2007.
- “Maturity Date” means April 30, 2017.
- “Non-Deductibility Event” means a circumstance in which the Bank determines, in its absolute discretion, that, as a result of the enactment or anticipated enactment of federal Canadian income tax legislation, the interest payable on the RBC TSNs – Series A will not be deductible by the Trust for federal Canadian income tax purposes, and the Bank gives written notice of such determination to the Trust.
- “Superintendent” means the Superintendent of Financial Institutions (Canada).
- “SEDAR” means the System for Electronic Document Analysis Retrieval.
- “Winding-Up Act” means the *Winding-up and Restructuring Act* (Canada).

### Representations

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

*The Trust*

1. The Trust is a closed-end trust established under the laws of Ontario by Royal Trust Corporation of Canada (the "Trustee"), pursuant to a declaration of trust dated as of April 3, 2007. The Trust's principal office is located in Toronto, Ontario. The Trust was established solely for the purpose of effecting offerings of debt securities in order to provide the Bank with a cost-effective means of raising capital for regulatory purposes under the Bank Act. The Bank will be the Administrative Agent of the Trust pursuant to an Administration Agreement between the Trustee and the Bank (the "Administration Agreement").
2. The Trust is a reporting issuer or its equivalent in each jurisdiction where such concept exists, since April 24, 2007, following the receipt of the Prospectus in respect of \$1,000,000,000 principal amount of 4.58% subordinate note due as of April 30, 2017 (the "RBC TSNs – Series A") at a price of \$1,000 each and Bank Series 10 Subordinate Notes that can be issued in exchange of RBC TSNs – Series A, in accordance with the methods of exchange (the "Offering").
3. The Trust is not in default of any requirement under the Legislation.
4. Following completion of the Offering, the RBC TSNs – Series A distributed pursuant to the Prospectus are held by the public and all outstanding voting securities of the Trust (the "Voting Trust Units") are held by the Bank. The Trust may, from time to time, issue further series of debt securities having terms substantially similar to the RBC TSNs – Series A.
5. The assets of the Trust consist primarily of a deposit note issued by the Bank, which will generate income for payment of principal, interest, redemption price, if any, and any other amounts in respect of its debt securities, including the RBC TSNs – Series A. The RBC TSNs – Series A form part of the regulatory capital of the Bank. The Trust is a special purpose entity that has no independent business activities other than to acquire and hold eligible investments for the purpose described above.

*The Bank*

6. The Bank is a chartered bank subject to the provisions of the Bank Act. The Bank's head office is located at 1 Place Ville Marie, Montréal, Québec, H3C 3A9.
7. The Bank is a reporting issuer or the equivalent in each jurisdiction where such concept exists and is not, to its knowledge, in default of any requirement under the Legislation.

8. The Bank common shares (the "Bank Common Shares") are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange.

*RBC TSNs – Series A*

9. The RBC TSNs – Series A are issued under a trust indenture (the "Trust Indenture") entered into at the closing of the Offering between the Trust, the Bank and Computershare Trust Company of Canada, as trustee for the holders of RBC TSNs – Series A.
10. The RBC TSNs – Series A are repayable at 100% of the principal amount at the Maturity Date, unless redeemed earlier.
11. For the first five years from the date of issue, interest will be payable on the RBC TSNs – Series A at a fixed rate per annum payable semi-annually in arrears in equal instalments. After the first five years (the "Interest Reset Date") to, but excluding the Maturity Date, interest will be payable on the RBC TSNs – Series A at a floating rate equal to the 90-day Bankers' Acceptance Rate, plus 1% per year, payable quarterly.
12. The Bank fully and unconditionally guarantees on a subordinated basis (the "Bank Guarantee") the payment of principal, interest (including in the event of an Automatic Exchange), accrued and unpaid interest on the date of exchange), the redemption price, if any, and any other amount on the RBC TSNs – Series A, when they become due and payable, whether at stated maturity, call for redemption, Automatic Exchange or otherwise according to the terms of the Bank Guarantee and the Trust Indenture. Following the Automatic Exchange, the Bank's obligation under the Bank Guarantee in respect of accrued and unpaid interest, if any, on the RBC TSNs – Series A survives until the Trust or the Bank, as the case may be, pays such interest.
13. The Trust, at its option, and with the prior approval of the Superintendent (the "Superintendent Approval"), and on not less than 30 nor more than 60 days' prior written notice, may redeem any outstanding RBC TSNs – Series A, in whole at any time or in part from time to time, without the consent of the holders, at a redemption price which, if the RBC TSNs – Series A are redeemed prior to the Interest Reset Date, is equal to the greater of the Canada Yield Price and the principal amount, or, if the RBC TSNs – Series A are redeemed on or after the Interest Reset Date, is equal to the principal amount, together in each case with accrued and unpaid interest to but excluding the date fixed for redemption (the "Redemption Price").

14. The RBC TSNs – Series A may be purchased at any time, in whole or in part, by the Trust. The purchases may be made in the open market or by tender or private contract at any price. Such purchase requires the Superintendent Approval.
15. Pursuant to the Automatic Exchange, each \$1,000 principal amount of RBC TSNs – Series A will be exchanged automatically, without the consent of the holders, into an equal principal amount of Bank Series 10 Subordinated Notes, upon the occurrence of a Loss Absorption Event or a Non-Deductibility Event.
- The material attributes of the Bank Series 10 Subordinated Notes are the same as those of the RBC TSNs – Series A, except that the Bank Series 10 Subordinated Notes constitute subordinated indebtedness for purposes of the Bank Act.
16. The Bank has agreed, pursuant to the Trust Indenture, that it will maintain ownership of 100% of the outstanding Voting Trust Units.
17. As long as any RBC TSNs – Series A are outstanding, the Trust may only be terminated with the approval of the holder of Voting Trust Units and with the approval of the Superintendent. As long as any RBC TSNs – Series A are outstanding and held by any person other than the Bank, the Bank will not approve the termination of the Trust, unless the Trust has sufficient funds to pay the Redemption Price.
18. Pursuant to the Administration Agreement, the Trustee delegates to the Bank certain of its obligations in relation to the administration of the Trust. The Bank, as administrative agent, offers advice and counsel with respect to the administration of the day-to-day operations of the Trust and other matters as may be requested by the Trustee from time to time.
19. The Trust may, from time to time, issue further series of debt securities, the proceeds of which would be used to acquire, amongst other eligible investments, additional notes from the Bank.
20. Because of the nature of the Trust, the terms of the RBC TSNs – Series A, the Bank Guarantee and the various covenants of the Bank given in connection with the Offering, information about the affairs and financial performance of the Bank, as opposed to that of the Trust, is meaningful to holders of RBC TSNs – Series A. The Bank's filings will provide holders of RBC TSNs – Series A and the general investing public with all information required in order to make an informed decision relating to an investment in RBC TSNs – Series A. Information regarding the Bank is relevant both to an investor's expectation of being paid the principal, interest and the redemption

price, if any, and any other amount on the RBC TSNs – Series A when due and payable.

**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, with the exception of the securities regulator in the Northwest Territories, under the Legislation is that the Trust be exempted from the Continuous Disclosure Obligations provided that:

- (i) the Bank remains a reporting issuer or the equivalent, in each jurisdiction where such concept exists, under the Legislation that has filed all documents it is required to file;
- (ii) the Bank files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clause (a) above of this decision, at the same time as they are required under the Legislation to be filed by the Bank;
- (iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clause (a) above of this decision;
- (iv) the Trust sends or causes the Bank to send its interim and annual financial statements and interim and annual MD&A, as applicable, to holders of its securities, other than the holders of debt securities, at the same time and in the same manner as if its holders of securities were holders of Bank Common Shares;
- (v) all outstanding securities of the Trust are either RBC TSNs – Series A, additional series of debt securities having terms substantially similar to the RBC TSNs – Series A or Voting Trust Units;
- (vi) the rights and obligations of holders of additional series of debt securities are the same in all material respects as the rights and obligations of the holders of the RBC TSNs – Series A, with the exceptions of economic terms such as the rate of interest, redemption dates and maturity dates;
- (vii) the Bank is the beneficial owner of all issued and outstanding voting securities of the Trust, including the Voting Trust Units.

The decision of the Decision Makers under the Legislation is that the Trust be exempted from the Certification Obligations provided that:

- (viii) the Trust is and continues to be exempted from the Continuous Disclosure Obligations; and



- (ix) the Bank files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the Bank Officers Certificates at the same time as such documents are required under the Legislation to be filed by the Bank.

This decision shall expire 30 days after the date a material adverse change occurs in the representations made by the Trust in this decision.

"Louis Morisset"  
Surintendant aux marchés des valeurs  
Autorité des Marchés Financiers

## 2.1.7 Yorkwin Investments Limited

### Headnote

Take-over bid made in Ontario - bid made in accordance with the laws of Hong Kong - De minimis exemption unavailable because Hong Kong not recognized jurisdiction in Ontario - bid exempted from the requirements of sections 95 through 100, subject to certain conditions.

### Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 93(1)(e), 95 to 100, 104(2)(c).

### Recognition Orders Cited

In the Matter of the Recognition of Certain Jurisdictions (Clauses 93(1)(e) and 93(3)(h) of Act) (1997) 20 OSCB 1035.

August 21, 2007

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

**AND**

**IN THE MATTER OF  
YORKWIN INVESTMENTS LIMITED ("YORKWIN")**

**DECISION DOCUMENT**

### Background

1. The Ontario Securities Commission ("OSC") has received an application from Hong Fok Corporation Limited ("Hong Fok") and Yorkwin (together with Hong Fok, the "Filer"), for a decision under the Act that the formal take-over bid requirements contained in the Act, including provisions relating to delivery of an offer and take-over bid circular and notices of change and variation thereto, minimum deposit periods and withdrawal rights, take-up and payment of securities tendered to a bid, disclosure, financing, identical security and collateral benefits (collectively the "Take-over Bid Requirements") shall not apply to the conditional partial offer by Yorkwin (the "Offer") to the shareholders of Winfoong International Limited (the "Company"), a majority owned (62.8%) subsidiary of Hong Fok, for their shares in Hong Fok Land International Limited ("HF Land"), an affiliated company (40.4% owned) of Hong Fok, for those shares of HF Land (the "HF Land Shares") held by the shareholders of the Company, excluding Hong Fok, its associates, Yorkwin and those acting in concert with Yorkwin (the "Disinterested HF Land Shareholders").

**Interpretation**

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

**Representations**

3. This decision is based on the following facts represented by the Filer:

(a) Yorkwin is a limited liability company incorporated in the British Virgin Islands on February 27, 2007 and was established solely for the purposes of making the Offer. Yorkwin is a wholly owned subsidiary of Hong Fok.

(b) Hong Fok is a company incorporated in the Republic of Singapore, the shares of which are listed on The Singapore Exchange Securities Trading Limited. Hong Fok is principally engaged in investment holding and its subsidiaries are principally engaged in property investment, property development, property management, investment trading and investment holding and management. Hong Fok and its subsidiaries principally operate in Hong Kong and the Republic of Singapore.

(c) HF Land is a limited liability company incorporated in Bermuda, and was a wholly owned subsidiary of the Company prior to a reorganization involving the Company, Hong Fok, HF Land and their respective subsidiaries (the “Group Reorganization”) and subsequently became an affiliated company (not majority owned by) of Hong Fok following the Group Reorganization.

(d) The Company is a company incorporated in Bermuda and its principal place of business is in Hong Kong. The Company is required to, and does in fact, maintain a share register of all of its shareholders from which the Offeror identified the two individual Disinterested HF Land Shareholders resident in the Province of Ontario. The shares of the Company (the “Company Shares”) are listed on the main board of The Stock Exchange of Hong Kong Limited (the “HK Exchange”).

(e) None of Yorkwin, Hong Fok, HF Land or the Company are, or have any intention of becoming, reporting issuers or the equivalent in any province or territory of Canada and none of their securities are

listed for trading on any Canadian stock exchange.

(f) The Offer arose as a result of prior asset acquisition transactions (the “Prior Acquisition”) and the Group Reorganization.

(g) The Offer will commence on August 22, 2007, and unless extended or revised will close at 4:00 p.m. (Hong Kong time) on September 12, 2007 (the “First Closing Date”). If the Offer is extended or revised or declared unconditional on the First Closing Date, it will remain open for acceptance for a period of not less than 14 days, and shall be closed on September 27, 2007.

(h) The Offer is a conditional partial offer to the Disinterested HF Land Shareholders, for the aggregate of one third of the HF Land Shares held by the Disinterested HF Land Shareholders, being 294,789,400 HF Land Shares, such that for each HF Land Share held, the Disinterested HF Land Shareholder will receive:

- (1) HK\$0.16 in cash;
- (2) one 3-year bond with a face value of HK\$0.24; and
- (3) two Company Shares (for every three HF Land Shares held).

(i) Under the Offer, the cash consideration payable by Yorkwin will amount to approximately HK\$47.2 million, and the total consideration in the form of Company Shares payable by Yorkwin will amount to 589,578,800 Company Shares.

(j) Upon completion of the Offer, the interests of Hong Fok, its associates, Yorkwin and those acting in concert with Yorkwin in HF Land will increase from 40.7% (as at completion of the Group Reorganization) to 60.5% and their interest in the Company will decrease from 63.0% (as at completion of the Prior Acquisition) to 38.4%.

(k) The Offer will be made in accordance with the Rules Governing the Listing of Securities on the HK Exchange (the “Listing Rules”) and The Code of Takeovers and Mergers of Hong Kong (the “Takeovers Code”). The Takeovers Code is regulated by the Hong Kong

- Securities and Futures Commission (“HKSF”).
- (l) Pursuant to Rule 28.1 of the Takeovers Code, any partial offer such as the Offer, is subject to the consent of the Executive Director of the Corporate Finance Division of the HKSF (the “Executive Director”). Obtaining such consent from the Executive Director is underway.
- (m) The information circular of the Company dated June 30, 2007 prepared and delivered to its shareholders in connection with, among other things, the Prior Acquisition and the Group Reorganization (the “Circular”) was prepared and delivered in accordance with the Listing Rules and the Takeovers Code. Pursuant to the Listing Rules and the Takeover Code, the Circular was submitted to the HK Exchange and the HKSF for review and comment, and was approved by the HK Exchange and the HKSF prior to its delivery.
- (n) The offer document of Yorkwin to be delivered to the Disinterested HF Land Shareholders, setting forth the terms and conditions of the Offer (the “Offer Document”) is being prepared and will be delivered in accordance with the Listing Rules and Takeovers Code, and pursuant thereto, has been submitted to the HKSF and the HK Exchange for review, comment and approval. The Offer Document has been approved by the HK Exchange and the HKSF and is expected to be mailed to the Disinterested HF Land Shareholders on or about August 22, 2007.
- (o) The purchase price for the Prior Acquisition was agreed upon on an arm’s length basis with reference to the open market value of certain properties located in Singapore (the “Singapore Properties”) as at April 30, 2007 as appraised by Savills (Singapore) Pte. Ltd., an independent valuer. A copy of the valuation report was included in the delivered Circular and valuation reports to be prepared in a similar manner by Savills (Singapore) Pte. Ltd. appraising the open market value of the Singapore Properties as at May 31, 2007, will be included in the Offer Document to be delivered to shareholders of the Company in compliance with the Listing Rules and the Takeovers Code.
- (p) The Prior Acquisition and the Group Reorganization, among other things, were approved by the requisite majority of the independent shareholders of the Company, excluding Hong Fok, its associates, Yorkwin and those acting in concert with Yorkwin, at a special meeting of the Company held on July 25, 2007.
- (q) The Offer Document, which will be prepared in English, will set out details of the Offer, as well as the reasons and background to the Offer, and will contain disclosure information for each of Yorkwin, Hong Fok, the Company and HF Land, as well as financial information for each of the Hong Fok Group (being Hong Fok and its subsidiaries), the Group (being the Company and its subsidiaries) and the HF Land Group (being HF Land and its subsidiaries) including, inter alia, audited financial statements for the three year periods ending December 31, 2006, 2005 and 2004 in the case of the Group and the HF Land Group and audited financial statement for the two year periods ending December 31, 2006 and 2005 in the case of the Hong Fok Group, and will include independent third party valuations of the assets of each of the Hong Fok Group, the Group and the HF Land Group.
- (r) The Offer Document will also contain a letter of advice from an independent financial advisor addressed to the Disinterested HF Land Shareholders setting out its recommendation with respect to the fairness of the Offer from a financial point of view.
- (s) There are 1,492,410,986 HF Land Shares issued and outstanding.
- (t) There are only two individual Disinterested HF Land Shareholders that are resident in the Province of Ontario, which represent the only registered Disinterested HF Land Shareholders resident in Canada. These two individuals hold 500 HF Land Shares and 22 HF Land Shares respectively, totalling 522 HF Land Shares. This represents 0.000035% of the currently issued HF Land Shares.
- (u) The Offeror cannot rely on the exemption from the formal take-over bid requirements contained in paragraph 93(1)(e) of the Act because the OSC has not recognized Hong Kong for the purposes of this paragraph of the Act.

- (v) The Offer will be made to the two Canadian resident Disinterested HF Land Shareholders on the same terms and conditions as it will be made to Hong Kong resident Disinterested HF Land Shareholders.
- (w) The Offer Document and all other material relating to the Offer, including any amendments, that will be sent by or on behalf of the Filer to Disinterested HF Land Shareholders, will be concurrently sent to Canadian resident Disinterested HF Land Shareholders and copies of such material will be filed as nearly as possible with the OSC.

**Decision**

- 1. The OSC is satisfied that the test contained in the Act that provides the OSC with the jurisdiction to make the decision has been met.
- 2. The decision of the OSC under the Act is that the Filer is exempt from the Take-over Bid Requirements in making the Offer to the Canadian resident Disinterested HF Land Shareholders provided that:
  - (a) the Offer and all amendments to the Offer are made in compliance with the laws of Hong Kong, including the Listing Rules and Takeovers Code; and
  - (b) the Offer Document and all other material relating to the Offer, including any amendments, that will be sent by or on behalf of the Filer to Disinterested HF Land Shareholders, are concurrently sent to Canadian resident Disinterested HF Land Shareholders and copies of such material are filed as nearly as possible with the OSC.

DATED at Toronto, Ontario on this 21st day of August, 2007.

“Kevin J. Kelly”  
Commissioner  
Ontario Securities Commission

“David L Knight”  
Commissioner  
Ontario Securities Commission

**2.1.8 Phillips, Hager & North Investment Management Ltd. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Revocation of a previous MRRS Decision to the same applicant and approval of a new MRRS Decision providing relief from certain conflict disclosure requirements in connection with the distribution by an investment counsel and portfolio manager and mutual fund dealer in units of investment funds which it manages – relief subject to certain conditions.

Corresponding order by the Commission to revoke a previous Ontario order granted to the same applicant.

**Applicable Ontario Statutory Provisions:**

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

**Applicable Ontario Regulations:**

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 223, 226-228, 233.

**Applicable Ontario Rules**

National Instrument 33-105 – Underwriting Conflicts, s. 1.1.

**August 17, 2007**

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, ONTARIO,  
NOVA SCOTIA, AND NEWFOUNDLAND AND  
LABRADOR  
(the Jurisdictions)**

**AND**

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

**AND**

**IN THE MATTER OF  
PHILLIPS, HAGER & NORTH  
INVESTMENT MANAGEMENT LTD.**

**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 Phillips, Hager & North Investment Management Ltd. (the Filer) for a decision (the Decision) under the securities legislation of the Jurisdictions (the Legislation) to:

- (a) revoke a decision document issued by certain Decision Makers dated August 5, 2003 (the Original Decision), which ordered that the following conflict provisions contained in the Legislation would not apply to the Filer in connection with distributing units of mutual funds managed by the Filer (the Funds):
    - (i) the requirements that a registrant prepare a conflict of interest rules statement (or the equivalent) in the required form, revise the conflict statement in the event of any significant change in the information, file the statements with the applicable Decision Makers, and provide its customers and clients with copies of the statements (the Conflicts Statement Requirement);
    - (ii) the requirement that a registrant send or deliver to its clients a written confirmation of a securities transaction that contains certain disclosure if the security was a security of a related issuer, or in the course of a distribution, a security of a connected issuer, of the registrant (the Trade Confirmation Requirement);
    - (iii) the requirement that a registrant make certain disclosure to its client if the registrant acts as an adviser in respect of securities of a related issuer, or in the course of a distribution, securities of a connected issuer (the Adviser Disclosure Requirement); and
    - (iv) the requirement that a registrant make certain disclosure to its client and obtain the requisite specific and informed written consent of its client if a registrant acts as an adviser, exercising discretionary authority with respect to the investment portfolio or account of its client, to purchase or sell securities of a related issuer, or in the course of a distribution, securities of a connected issuer, of the registrant (the Discretionary Management Disclosure Requirement)
  - (collectively, the Conflict of Interest Requirements Exemption);
  - (b) to restate a new consolidated order in substantially the same form as the Original Decision, such that the Filer can continue to rely on the Conflict of Interest Requirements Exemption contained in the Original Decision; and
  - (c) to amend a representation of the Filer which had been included in the Original Decision, which would permit the Filer to rely on the Conflict of Interest Requirements Exemption if it is the manager of Funds that have "BonaVista" in their names.
- Under the Mutual Reliance Review System for Exemptive Relief Applications (the MRRS):
- (a) the British Columbia Securities Commission is the principal regulator for this application; and
  - (b) this MRRS decision document evidences the decision of each Decision Maker.

**Interpretation**

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

**Representations**

- 3 This decision is based on the following facts represented by the Filer:
  - 1. it is a company organized under the laws of British Columbia and having its head office in British Columbia;
  - 2. it is registered as an adviser in the categories of investment counsel and portfolio manager in British Columbia (and in equivalent categories in each of the other Jurisdictions), and is also registered as a dealer in the category of mutual fund dealer in Ontario;
  - 3. it is the manager, principal portfolio adviser and promoter of the Funds and will be the manager, principal portfolio adviser and promoter of additional Funds which may be established from time to time;
  - 4. it is the manager of two Funds, the names of which do not include the words "Phillips, Hager & North" - the BonaVista

- Canadian Equity Value Fund and the BonaVista Global Balanced Fund (together, the BonaVista Funds); in the future, the Filer may also be the manager of other Funds with names that include the word "BonaVista" but do not include the words "Phillips, Hager & North";
5. BonaVista Asset Management Ltd. is a subsidiary of the Filer and is the portfolio advisor for the BonaVista Funds;
  6. each of the Funds is or will be an open-end mutual fund trust established under the laws of British Columbia and the words "Phillips, Hager & North" or "BonaVista" are or will be part of the name of each Fund;
  7. it manages the majority of its clients' assets on a discretionary basis via investments in the Funds, but may also utilize segregated, separate portfolios of securities for its clients;
  8. under a discretionary management agreement, its discretionary account clients that invest in the Funds specifically authorize the Filer to invest in the Funds;
  9. it may also act as an adviser and where required as a dealer, to clients who have not entered into discretionary management agreements with the Filer for their investments in one or more Funds;
  10. all clients receive written specific disclosure of the relationship between the Filer and the Funds;
  11. it does not and will not act as an adviser, dealer or underwriter in respect of securities of the Filer or of a related issuer of the Filer, or in the course of a distribution, in respect of securities of connected issuers of the Filer other than in connection with the distribution of units of the Funds and the Funds do not hold and will not hold securities of any related issuer of the Filer, or in the course of a distribution, securities of a connected issuer of the Filer, other than the securities of another Fund;
  12. each of the Funds may be offered on a continuous basis and will be acquired by residents of the Jurisdictions either under a prospectus filed by the Fund or on a private placement basis.

**Decision**

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

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

- (a) the Original Decision is revoked;
- (b) the Filer is exempt from the Conflicts Statement Requirement;
- (c) the Trade Confirmation Requirement and the Adviser Disclosure Requirement do not apply to the distribution of the units of the Funds by the Filer; and
- (d) the Filer is exempt from the Discretionary Management Disclosure Requirement in respect of the units of the Funds,

provided the Filer:

- (i) obtains in advance a client's specific and informed consent to purchase or sell the units of the Funds;
- (ii) no later than twelve months after the date on which the Filer begins to rely on this Decision and no less than annually thereafter, provides to a client in his or her account statement (i) disclosure of the securities of related and connected issuers of the Filer that were held directly by the client at any time during the preceding twelve month period; (ii) disclosure that describes the relationship of the Filer and the Funds and states that in the past year moneys held in the client's account may have been invested directly and indirectly in units of mutual funds managed by the Filer; and (iii) disclosure which informs the client that he or she may call a toll-free telephone number to request a statement of portfolio which discloses the securities of related issuers and connected issuers of the Filer that were held by the client indirectly

- through the Funds as at the date of the statement; and
- (iii) either provides to a client no less frequently than annually a copy of the prospectus or offering memorandum, as applicable, in respect of the Funds, or advises a client no less frequently than annually that a prospectus or offering memorandum, as applicable, is available in respect of the Funds and the client may obtain a copy on request or online through the Filer's website.

"Sandra Jakab"  
Director, Capital Markets Regulation  
British Columbia Securities Commission

**2.2 Orders**

**2.2.1 The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. – s. 144 of the Act**

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

**AND**

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

**AND**

**IN THE MATTER OF  
THE CANADIAN DEPOSITORY FOR  
SECURITIES LIMITED AND  
CDS CLEARING AND DEPOSITORY SERVICES INC.**

**ORDER  
(Section 144 of the Act)**

**WHEREAS** the Ontario Securities Commission (the "Commission") issued an order dated February 25, 1997, which became effective on March 1, 1997, recognizing The Canadian Depository for Securities Limited ("CDS Ltd.") as a clearing agency pursuant to subsection 21.2(1) of the Act and designating CDS Ltd. as a recognized clearing agency for the purposes of Part VI of the OBCA (the "1997 Order");

**AND WHEREAS** the Commission has varied the 1997 Order from time to time;

**AND WHEREAS** the Commission issued an order dated October 17, 2006 pursuant to section 144 of the Act and Part VI of the OBCA varying and restating the 1997 Order, as amended (the "Recognition Order") and recognizing and designating each of CDS Ltd. and CDS Clearing and Depository Services Inc. ("CDS Clearing") (CDS Ltd. and CDS Clearing referred to collectively as "CDS") as a clearing agency pursuant to subsection 21.2(1) of the Act and as a recognized clearing agency for the purposes of Part VI of the OBCA;

**AND WHEREAS** CDS has applied for an order pursuant to section 144 of the Act to vary certain terms and conditions of the Recognition Order in connection with certain changes to CDS's governance structure;

**AND WHEREAS** the Commission has received certain representations from CDS in connection with its application to vary the Recognition Order;

**AND UPON** the Commission being of the opinion that it is not prejudicial to the public interest to vary the Recognition Order;

**IT IS ORDERED** pursuant to section 144 of the Act that the Recognition Order be varied by:

1. inserting after section 2.2 the following:
  - 2.2.1 CDS Ltd's governance structure shall provide for;
    - (a) at least 5 (33%) independent directors on the board of directors, and
    - (b) a quorum of directors shall be 60% of the number of directors; and
2. inserting after section 10.2 the following:
  - 10.2.1 CDS Clearing's governance structure shall provide for;
    - (a) at least 5 (33%) independent directors on the board of directors, and
    - (b) a quorum of directors shall be 60% of the number of directors.

**DATED** August 9, 2007

"James E. A. Turner"

"Lawrence E. Ritchie"



## Chapter 4

# Cease Trading Orders

### 4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Phoenix Capital Inc.	23 Aug 07	05 Sep 07		

### 4.2.1 Temporary, Permanent & Rescinding Management 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
Outlook Resources Inc.	08 Aug 07	21 Aug 07		22 Aug 07	
TVI Pacific Inc.	17 Aug 07	30 Aug 07			
WEX Pharmaceuticals Inc.	21 Aug 07	31 Aug 07			

### 4.2.2 Outstanding 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
AldeaVision Solutions Inc.	03 May 07	16 May 07	16 May 07		
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
CoolBrands International Inc.	30 Nov 06	13 Dec 06	13 Dec 06		
Fareport Capital Inc.	13 Jul 07	26 Jul 07	26 Jul 07		
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 05		
HMZ Metals Inc.	03 Apr 06	14 Apr 06	17 Apr 06		
IMAX Corporation	03 Apr 07	16 Apr 07	16 Apr 07		
Outlook Resources Inc.	08 Aug 07	21 Aug 07	22 Aug 07		
T S Telecom Ltd.	10 Aug 07	23 Aug 07			
TVI Pacific Inc.	17 Aug 07	30 Aug 07			

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**Cease Trading Orders**

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<b>Company Name</b>	<b>Date of Order or Temporary Order</b>	<b>Date of Hearing</b>	<b>Date of Extending Order</b>	<b>Date of Lapse/ Expire</b>	<b>Date of Issuer Temporary Order</b>
Urbanfund Corp.	07 May 07	18 May 07	18 May 07	30 Jul 07	
VVC Exploration Corporation	04 Jun 07	15 Jun 07	15 Jun 07		
WEX Pharmaceuticals Inc.	21 Aug 07	31 Aug 07			

## Chapter 7

# Insider Reporting

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This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see [www.carswell.com](http://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](http://www.sedi.ca)).

## Chapter 8

# Notice of Exempt Financings

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price (\$)	No of Securities Distributed
07/27/2007	2	970198 Alberta Ltd. - Common Shares	60,000.00	120,000.00
07/31/2007	8	ABC Fundamental - Value Fund - Units	3,050,000.00	N/A
08/02/2007	176	Agtech Income Fund - Trust Units	14,000,040.00	2,592,600.00
07/24/2007	6	Airesurf Networks Holdings Inc. - Units	50,000.00	1,000,000.00
07/23/2007	11	Anterra Energy Inc. - Common Shares	2,066,999.40	3,444,999.00
07/23/2007	2	Avcorp Industries Inc. - Units	990,000.00	N/A
07/26/2007	3	AXIMA YUL S.E.C./AXIMA YUL L.P. - Bonds	29,300,000.00	N/A
08/01/2007	72	Bear Creek Mining Corporation - Units	20,127,500.00	2,425,000.00
07/16/2007	1	Black Pearl Minerals Consolidated Inc. - Common Shares	195,329.00	976,645.00
07/26/2007	1	Brigadier Gold Limited - Flow-Through Shares	250,000.00	2,000,000.00
08/02/2007	1	BT Energy Fund LP I - Units	1,106,275.00	100.00
07/20/2007	2	Campbell Resources Inc. - Debentures	2,200,000.00	N/A
07/23/2007	1	Canadian Zinc Corporation - Units	10,000,250.00	11,765,000.00
07/24/2007	25	Canarc Resource Corp. - Units	1,144,000.00	2,200,000.00
08/02/2007	7	CapLink Mortgage Investors Corporation - Preferred Shares	217,000.00	2,170.00
07/31/2007	1	ChrysCapital V, LLC - Common Shares	16,000,650.00	1,500.00
07/25/2007	1	Citigroup Private Equity Partners III Offshore (PEP III) - Units	51,650.00	500,000.00
07/26/2007	3	ClareGold Trust - Certificate	24,195,236.63	N/A
07/31/2007	18	Consolidated Spire Ventures Ltd. - Units	1,000,000.00	2,500,000.00
07/19/2007	32	Costa Energy Inc. - Units	1,815,765.33	16,506,957.00
08/14/2007	75	Cross Lake Minerals Ltd. - Flow-Through Shares	3,375,000.00	N/A

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
07/17/2007	11	Cusac Gold Mines Ltd. - Units	153,000.00	900,000.00
07/30/2007	12	Derek Oil & Gas Corporation - Units	743,050.00	2,123,000.00
07/19/2007	26	Diversified Industries Ltd. - Units	302,950.20	3,009,834.00
01/19/2007 to 06/29/2007	32	Dynamic Alpha Performance Fund - Units	817,990.31	84,437.99
01/05/2007 to 06/08/2007	2657	Dynamic Contrarian Fund - Units	159,355,994.73	N/A
01/12/2007 to 06/22/2007	5	Dynamic Focus+Alternative Fund - Units	310,000.00	44,489.91
01/05/2007 to 06/08/2007	851	Dynamic Income Opportunities Fund - Units	92,035,482.56	N/A
01/26/2007 to 06/29/2007	202	Dynamic Power Emerging Markets Fund - Units	23,236,080.97	1,337,285.60
01/05/2007 to 06/29/2007	232	Dynamic Power Hedge Fund - Units	26,859,158.36	N/A
01/05/2007 to 02/09/2007	1	Dynamic Quantitative Hedge Fund - Units	500,000.00	99,721.12
07/23/2007	145	Enhanced Oil Resources Inc. - Units	15,860,840.00	12,791,000.00
07/25/2007	35	Evolving Gold Corp. - Units	5,620,000.00	14,050,000.00
07/31/2007	1	First Lease Select Limited Partnership - Limited Partnership Interest	23,460.00	25,000.00
07/26/2007	4	Freewest Resources Canada Inc. - Common Shares	1,000,000.00	5,714,284.00
07/27/2007	28	General Motors Acceptance Corporation of Canada, Limited - Notes	18,174,518.09	18,174,518.09
07/31/2007	12	Genesys Ventures II LP - Limited Partnership Units	72,350,000.00	72,350,000.00
08/01/2007	27	Genetic Diagnostics Inc. - Units	1,000,000.18	4,545,455.00
07/28/2007 to 08/06/2007	6	Global Trader Europe Limited - Special Trust Securities	174,931.50	112,621.00
07/18/2007 to 07/27/2007	8	Global Trader Europe Limited - Special Trust Securities	202,998.50	131,627.00
07/26/2007	1	GMO Developed World Equity Investment Fund PLC - Units	98,975.44	2,899.39
07/31/2007	1	GMO International Core Equity Fund-III - Units	202,252.07	4,517.22
07/31/2007	1	GMO International Opp Equity Allocation Fund - III - Units	65,864.70	2,639.61
01/03/2007 to 05/16/2007	104	Goodman Private Wealth Management Balanced Pool - Units	5,237,888.03	140,821.94

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
08/03/2007	64	Gryphon Gold Corporation - Units	4,000,000.00	5,000,000.00
08/02/2007	1	Hawk Uranium Inc. - Common Shares	0.00	40,000.00
07/17/2007	1	Houston Lake Mining Inc. - Flow-Through Shares	345,000.00	345,000.00
08/08/2007	1	Iberian Minerals Corp. - Common Shares	743,835.62	N/A
08/01/2007	12	International Montoro Resources Inc. - Common Shares	42,805.00	122,300.00
08/01/2007	12	International Montoro Resources Inc. - Flow-Through Shares	67,265.00	122,300.00
06/26/2007	1	JumpTV Inc. - Common Shares	1,000,000.00	197,628.00
07/25/2007	2	Junex Inc. - Flow-Through Shares	1,000,000.00	800,000.00
07/20/2007	16	Kettle River Resources Ltd. - Units	479,700.00	2,433,000.00
07/31/2007	2	Kingwest Avenue Portfolio - Units	517,498.75	14,815.10
07/31/2007	1	Kingwest U.S. Equity Portfolio - Units	1,070.81	66.74
07/16/2007	1	KWG Resources Inc. - Units	50,000.00	1,000,000.00
07/20/2007	28	Lakota Resources Inc. - Units	320,500.00	1,602,500.00
07/27/2007	1	Lakota Resources Inc. - Units	200,000.00	5,000,000.00
07/31/2007	125	Liberty International Mineral Corporation - Common Shares	1,565,314.12	3,672,033.00
07/09/2007 to 07/23/2007	81	Lynden Ventures Ltd. - Units	15,348,000.00	N/A
07/31/2007	18	Manson Creek Resources Ltd. - Units	895,000.00	1,852,940.00
07/30/2007	6	Maxim Resources Inc. - Units	1,076,000.00	3,586,667.00
07/01/2007	1	MCAN Performance Strategies - Limited Partnership Units	575,960.10	4,434.90
07/05/2007	1	Merna Reinsurance Ltd. - Notes	52,830,000.00	N/A
08/08/2007	55	Miramar Mining Corporation - Flow-Through Shares	20,143,747.00	3,099,038.00
07/20/2007	3	Morega Systems Inc. - Common Shares	3,000,000.00	7,199,998.00
07/25/2007 to 08/01/2007	3	New Solutions Financial (II) Corporation - Debentures	200,000.00	3.00
07/23/2007	8	Newport Diversified Hedge Fund - Units	780,450.42	6,065.31

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
07/31/2007	1	NexGen Global Value Tax Managed Fund - Common Shares	100,000.00	N/A
07/19/2007	5	Norsemont Mining Inc. - Common Shares	7,920,000.00	4,950,000.00
05/16/2007	3	OCM Opportunities Fund VII (Cayman) Ltd. - Common Shares	23,160,900.00	N/A
05/16/2007	3	OCM Opportunities Fund VII b (Cayman) Ltd. - Common Shares	36,395,700.00	N/A
07/24/2007	1	OilSands Canada Corporation - Common Shares	100.00	100.00
07/27/2007	43	Orbus Pharma Inc. - Units	8,423,986.00	16,847,972.00
07/31/2007	8	OSI Geospatial Inc. - Units	3,614,000.00	5,560,000.00
07/18/2007	4	Pacific North West Capital Corp. - Flow-Through Shares	1,200,000.00	1,500,000.00
07/18/2007	13	Pacific North West Capital Corp. - Units	2,872,949.80	4,104,214.00
07/20/2007	13	Panasian Petroleum Inc. - Common Shares	1,490,000.00	14,900,000.00
07/12/2007	442	Petro Rubiales Energy Corp. - Receipts	440,002,500.00	517,650,000.00
07/27/2007	95	Polaris Geothermal Inc. - Units	31,999,998.40	26,666,665.00
07/27/2007	46	Pulse Data Inc. - Common Shares	17,388,000.00	6,440,000.00
08/02/2007	1	Pure Nickel Inc. - Warrants	0.00	4,000,000.00
07/19/2007	4	Quest PharmaTech Inc. - Common Shares	110,000.00	733,333.00
07/20/2007	32	Randsburg International Gold Corp. - Units	1,174,520.00	2,135,940.00
07/23/2007	54	Response Biomedical Corp. - Common Shares	12,000,000.00	N/A
07/17/2007	87	Rochester Energy Corporation - Units	11,379,424.20	8,299,100.00
07/24/2007	93	Rose Investments II Limited Partnership - Units	104,044,000.00	104,044.00
07/27/2007	170	Russell Breweries Inc. - Common Shares	3,176,500.00	5,358,062.00
07/23/2007	22	Semcan Inc. - Common Shares	6,328,340.00	N/A
07/27/2007	7	Sextant Strategic Opportunities Hedge Fund LP - Units	377,500.00	N/A
07/13/2007	2	Sextant Strategic Opportunities Hedge Fund LP - Units	600,000.00	24,944.90
07/26/2007	2	Shoreham Resources Ltd. - Units	300,000.00	666,666.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
07/19/2007	7	Solium Capital Inc. - Common Shares	1,000,943.91	474,381.00
08/01/2007	2	Stacey Investment Limited Partnership - Limited Partnership Units	174,048.00	4,200.00
07/30/2007	3	Stoneset Quities Ltd. - Common Shares	210,000.00	27,100,350.00
07/30/2007	29	Stoneset Quities Ltd. - Common Shares	2,000,270.00	10,001,350.00
07/11/2007	113	Sunshine Oilsands Ltd. - Common Shares	5,463,964.90	4,203,044.00
07/24/2007	29	Taranis Resources Inc. - Units	613,125.20	231,368.00
07/31/2007	76	Target Exploration & Mining Corp. - Flow-Through Shares	3,780,500.00	3,805,500.00
07/23/2007	40	Tarsis Capital Corp. - Common Shares	2,600,000.00	3,500,000.00
07/26/2007	1	Temex Resource Corp. - Common Shares	39,000.00	100,000.00
07/01/2006 to 06/30/2007	24	The GS+A Global Fund - Trust Units	4,404,978.94	35,808.11
07/01/2006 to 06/30/2007	139	The GS+A Growth Fund - Trust Units	19,118,119.69	191,344.03
07/01/2006 to 06/30/2007	135	The GS+A Premium Income Fund - Trust Units	19,985,456.06	108,710.93
07/01/2006 to 06/30/2007	329	The GS+A Small-Cap Fund - Trust Units	37,268,141.68	190,158.70
07/01/2006 to 06/30/2007	656	The GS+A Value Fund - Trust Units	103,012,680.07	470,637.31
07/27/2007	25	Toyota Credit Canada Inc. - Notes	500,000,000.00	500,000,000.00
06/11/2007 to 06/12/2007	2	Trez Capital Corporation - Mortgage	1,690,000.00	1.00
08/08/2007	38	Trigon Uranium Corp. - Units	2,548,000.00	5,096,000.00
07/31/2007	6	True North Gems Inc. - Flow-Through Shares	124,850.00	227,000.00
07/18/2007	1	Ungava Minerals Corp. - Units	1,999,999.50	2,666,666.00
07/31/2007	128	Vertex Fund - Trust Units	11,804,741.81	N/A
07/31/2007	25	Vertex Managed Value Portfolio - Trust Units	1,814,251.42	N/A
07/31/2007	1	Voltaire - Common Shares	719,250.00	75,000.00
07/26/2007	64	Walton AZ Picacho View 1 Investment Corporation - Common Shares	794,400.00	79,440.00



**Notice of Exempt Financings**

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<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
08/02/2007	150	Walton Brant County Land 2 Investment Corporation - Common Shares	2,992,720.00	299,272.00
08/02/2007	119	Walton Brant Land Acquisition Limited Partnership 2 - Limited Partnership Units	6,789,020.00	678,902.00
08/10/2007	2	Windsor Auto Trust - Loans	60,753,185.27	N/A
07/20/2007	117	YGC Resources Ltd. - Common Shares	76,230,654.00	42,350,364.00

## Chapter 11

# IPOs, New Issues and Secondary Financings

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**Issuer Name:**

Connor, Clark & Lunn 2007 Flow-Through Limited Partnership  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated August 17, 2007  
Mutual Reliance Review System Receipt dated August 20, 2007

**Offering Price and Description:**

Maximum Offering: \$20,000,000.00 (800,000 Units);  
Minimum Purchase: \$5,000.00(200) Units Price: \$25.00 per Unit

**Underwriter(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
National Bank Financial Inc.  
Richardson Partners Financial Limited  
Scotia Capital Inc.  
TD Securities Inc.  
Canaccord Capital Corporation  
Dundee Securities Corporation  
HSBC Securities (Canada) Inc.  
Berkshire Securities Inc.  
Blackmont Capital Inc.  
GMP Securities L.P.  
Raymond James Ltd.

**Promoter(s):**

Connor, Clark & Lunn Capital Markets Inc.

**Project #1144171**

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**Issuer Name:**

Front Street Cash Fund  
Front Street Equity Opportunities Fund  
Front Street Resource Opportunities Fund  
Front Street Small Cap Opportunities Fund  
Front Street Yield Opportunities Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated August 15, 2007  
Mutual Reliance Review System Receipt dated August 15, 2007

**Offering Price and Description:**

Price: Net Asset Value per Share Minimum Initial Purchase: \$5,000.00

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Front Street Capital 2004  
**Project #1142804**

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**Issuer Name:**

GA Capital Corp.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary CPC Prospectus dated August 15, 2007  
Mutual Reliance Review System Receipt dated August 16, 2007

**Offering Price and Description:**

\$700,000.00 - 3,500,000 Common Shares Price: \$0.20 per Common Share

**Underwriter(s) or Distributor(s):**

Union Securities Ltd.

**Promoter(s):**

J. Allan Ringler  
Bradley R. Kipp  
George A. Duguay  
Kevin D. Reed  
Joseph A. Hamilton  
**Project #1143189**

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**Issuer Name:**

Meritage American Equity Portfolio  
Meritage International Equity Portfolio  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectuses dated August 21, 2007  
Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

ADVISOR AND F SERIES UNITS

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Altamira Investment Services Inc.  
**Project #1144976**

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**Issuer Name:**

TAD Capital Corp.  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary CPC Prospectus dated August 17, 2007  
Mutual Reliance Review System Receipt dated August 17, 2007

**Offering Price and Description:**

\$200,000.00 - 2,000,000 Common Shares Price: \$0.10 per Common Share

**Underwriter(s) or Distributor(s):**

Gateway Securities Inc.

**Promoter(s):**

Graeme Sewell  
**Project #1144189**

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**Issuer Name:**

VP CGOV World Equity Pool  
VP Dixon Mitchell Canadian Balanced Pool  
Principal Regulator - Manitoba

**Type and Date:**

Preliminary Simplified Prospectuses dated August 17, 2007  
Mutual Reliance Review System Receipt dated August 17, 2007

**Offering Price and Description:**

Series A, B and F Units

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Value Partners Investments Inc.

**Project #1143995**

**Issuer Name:**

Canetic Resources Trust  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Base Shelf Prospectus dated August 20, 2007

Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

\$750,000,000.00 - Units Subscription Receipts

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #1138338**

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**Issuer Name:**

Beutel Goodman Canadian Equity Fund (Class A, F and I Units)

Beutel Goodman Canadian Equity Plus Fund (Class A, F and I Units)

Beutel Goodman Canadian Intrinsic Fund (Class A, F and I Units)

Beutel Goodman Canadian Dividend Fund (Class A, F and I Units)

Beutel Goodman Small Cap Fund (Class A, F and I Units)

Beutel Goodman Income Fund (Class A and I Units)

Beutel Goodman Long Term Bond Fund (Class A and I Units)

Beutel Goodman Corporate /Provincial Active Bond Fund (Class A and I Units)

Beutel Goodman Balanced Fund (Class A, F and I Units)

Beutel Goodman Money Market Fund (Class A and I Units)

Beutel Goodman American Equity Fund (Class A, F and I Units)

Beutel Goodman International Equity Fund (Class A, F and I Units)

Beutel Goodman World Focus Equity Fund (Class A, F and I Units)

Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated August 16, 2007

Mutual Reliance Review System Receipt dated August 20, 2007

**Offering Price and Description:**

Class A, F and I Units @ Net Asset Value

**Underwriter(s) or Distributor(s):**

Beutel Goodman Managed Funds Inc,

**Promoter(s):**

Beutel Goodman Managed Funds Inc.

**Project #1129003**

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**Issuer Name:**

Cirrus Energy Corporation  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated August 17, 2007

Mutual Reliance Review System Receipt dated August 17, 2007

**Offering Price and Description:**

\$30,550,000.00 - 13,000,000 Common Shares Price: \$2.35 per Common Share

**Underwriter(s) or Distributor(s):**

Tristone Capital Inc.

Clarus Securities Inc.

Jennings Capital Inc.

**Promoter(s):**

David Taylor

Robert Carter

**Project #1138920**

**Issuer Name:**

**Series A, F, I and O Securities of :**  
Keystone Saxon Smaller Companies Fund  
**Series A, F, G, I, P, T6 and T8 Securities of :**  
Keystone Diversified Income Portfolio Fund

Keystone Conservative Portfolio Fund  
Keystone Balanced Portfolio Fund  
Keystone Balanced Growth Portfolio Fund

**Series A, F, G and I Securities of :**

Keystone Growth Portfolio Fund  
Keystone Maximum Growth Portfolio Fund  
Series A, I, O and R Securities of :  
Keystone Dynamic Power Small -Cap Class  
Keystone Templeton International Stock Class  
of

Mackenzie Financial Capital Corporation  
Principal Regulator - Ontario

**Type and Date:**

Amendment #3 dated August 8, 2007 to the Simplified Prospectuses and Annual Information Forms dated May 30, 2007

Mutual Reliance Review System Receipt dated August 16, 2007

**Offering Price and Description:**

Mutual fund securities at net asset value

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #1087975**

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**Issuer Name:**

KJH Capital Preservation Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus dated August 20, 2007  
Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

Mutual Fund Units at Net Asset Value

**Underwriter(s) or Distributor(s):**

K.J. Harrison & Partners Inc.

**Promoter(s):**

-

**Project #1128881**

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**Issuer Name:**

Series A, F, I and O Units (unless otherwise indicated ) of:  
Mackenzie Cundill Canadian Security Fund  
(offering Series C, F, I, G, O, P, T6 and T8 Units only)  
Mackenzie Growth Fund (also offering Series G Units )  
Mackenzie Ivy Canadian Fund (also offering Series G , P,  
T6 and T8 Units

and hedged class, Series A, F, I and O Units)

Mackenzie Maxxum Canadian Equity Growth Fund

Mackenzie Maxxum Canadian Value Fund

Mackenzie Maxxum Dividend Fund (also offering Series G ,  
P, T6 and T8 Units)

Mackenzie Maxxum Dividend Growth Fund (also offering  
Series G Units )

Mackenzie Focus Canada Fund (also offering Series M  
Units )

Mackenzie Universal Canadian Growth Fund (also offering  
Series G Units )

Mackenzie Ivy Enterprise Fund (also offering Series G and  
M Units )

Mackenzie Cundill Recovery Fund (offering Series O Units  
only )

Mackenzie Cundill Value Fund (offering Series C, F, I G, O,  
P, T6 and T8 Units only)

Mackenzie Focus Fund

Mackenzie Founders Fund (also offering Series P , T6 and  
T8 Units)

Mackenzie Ivy Foreign Equity Fund (also offering Series G  
, P, T6 and T8 Units)

Mackenzie Universal European Opportunities Fund

Mackenzie Universal Global Future Fund

Mackenzie Universal International Stock Fund

Mackenzie Universal U .S. Growth Leaders Fund

Mackenzie Universal U .S. Dividend Income Fund

(Hedged Class and Unhedged Class )

Mackenzie Universal World Growth RRSP Fund

Mackenzie Universal Canadian Resource Fund (also  
offering Series G Units )

Mackenzie Universal Precious Metals Fund

Mackenzie Balanced Fund (also offering Series P , T6 and  
T8 Units)

Mackenzie Cundill Canadian Balanced Fund (offering  
Series C, F, I, G, O, P, T6 and T8 Units only)

Mackenzie Ivy Growth and Income Fund (also offering  
Series G , P, T6 and T8 Units)

Mackenzie Maxxum Canadian Balanced Fund (also  
offering Series P , T6 and T8 Units)

Mackenzie Maxxum Monthly Income Fund (also offering  
Series P , T6 and T8 Units)

Mackenzie Sentinel Bond Fund (also offering Series G , T6  
and T8 Units)

Mackenzie Sentinel Corporate Bond Fund (also offering  
Series G Units )

Mackenzie Sentinel Diversified Income Fund (also offering  
Series G Units )

Mackenzie Sentinel Income Fund (also offering Series B ,  
C and G Units)

Mackenzie Sentinel Income Trust Fund

Mackenzie Sentinel Money Market Fund (offering Series A,  
B and I Units only)

Mackenzie Sentinel Real Return Bond Fund (also offering  
Series G Units )

Mackenzie Sentinel Short -Term Income Fund (also offering Series G and M Units )  
Mackenzie Universal Canadian Balanced Fund (also offering Series G , P, T6 and T8 Units)  
Mackenzie Cundill Global Balanced Fund (offering Series C, F, I, G, O, P, T6 and T8 Units only)  
Mackenzie Ivy Global Balanced Fund (also offering Series P , T6 and T8 Units)  
Mackenzie Sentinel Global Bond Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #6 dated August 8, 2007 to the Simplified Prospectuses and Annual Information Forms dated December 7, 2006

Mutual Reliance Review System Receipt dated August 17, 2007

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

Quadrus Investment Services Ltd.

**Promoter(s):**

Mackenzie Financial Corporation

**Project #1007691**

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**Issuer Name:**

Series A, F, I and O Shares (unless otherwise indicated ) of:

Mackenzie Cundill Canadian Security Class (also offering Series R Shares )

Mackenzie Focus Canada Class (also offering Series R Shares )

Mackenzie Ivy Canadian Class (also offering Series R Shares )

Mackenzie Maxxum Canadian Equity Growth Class (also offering Series R Shares )

Mackenzie Maxxum Canadian Value Class (also offering Series R Shares )

Mackenzie Maxxum Dividend Class (also offering Series R Shares )

Mackenzie Universal Canadian Growth Class (also offering Series R Shares )

Mackenzie Cundill American Class

Mackenzie Focus America Class (also offering Series R Shares )

Mackenzie Universal American Growth Class (Hedged Class and Unhedged Class )

(also offering Series M Shares )

Mackenzie Universal U .S. Blue Chip Class (also offering Series R Shares )

Mackenzie Universal U .S. Emerging Growth Class (also offering Series R Shares )

Mackenzie Universal U .S. Growth Leaders Class (Hedged Class and Unhedged Class )

(also offering Series R Shares )

Mackenzie Ivy Enterprise Class (also offering Series R Shares )

Mackenzie Universal North American Growth Class (also offering Series R and G Shares )

Mackenzie Cundill Value Class (also offering Series R Shares )

Mackenzie Focus Class (also offering Series R Shares )

Mackenzie Focus Far East Class (also offering Series R and M Shares )

Mackenzie Focus International Class (also offering Series R Shares )

Mackenzie Focus Japan Class (also offering Series R Shares )

Mackenzie Ivy European Class (also offering Series M Shares )

Mackenzie Ivy Foreign Equity Class (Hedged Class) (also offering Series R Shares )

Mackenzie Maxxum Global Explorer Class (also offering Series R Shares )

Mackenzie Universal Emerging Markets Class (also offering Series R and M Shares )

Mackenzie Universal European Opportunities Class

Mackenzie Universal Global Future Class (also offering Series R and M Shares )

Mackenzie Universal Growth Trends Class (also offering Series R and M Shares )

Mackenzie Universal International Stock Class

Mackenzie Universal Sustainable Opportunities Class (also offering Series R Shares )

Mackenzie Universal Emerging Technologies Class (also offering Series R Shares )

Mackenzie Universal Health Sciences Class (also offering Series R Shares )

Mackenzie Universal World Precious Metals Class  
Mackenzie Universal World Real Estate Class (also offering Series R Shares )  
Mackenzie Universal World Resource Class  
Mackenzie Universal World Science & Technology Class (also offering Series R Shares )  
Mackenzie Sentinel Canadian Managed Yield Class (also offering Series R Shares )  
Mackenzie Sentinel Managed Return Class  
Mackenzie Sentinel U.S. Managed Yield Class (also offering Series R Shares )  
of  
Mackenzie Financial Capital Corporation  
Principal Regulator - Ontario

**Type and Date:**

Amendment #4 dated August 8, 2007 to the Simplified Prospectuses and Annual Information Forms dated November 6, 2006  
Mutual Reliance Review System Receipt dated August 16, 2007

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #997740**

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**Issuer Name:**

NAL Oil & Gas Trust  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated August 21, 2007  
Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

\$125,001,200.00 - 10,246,000 Subscription Receipts, each representing the right to receive one trust unit; and \$100,000,000.00 - 6.75% Convertible Extendible Unsecured Subordinated Debentures Price: \$12.20 per Subscription Receipt \$1,000 per Debenture

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
Canaccord Capital Corporation  
National Bank Financial Inc.  
Raymond James Ltd.  
Peters & Co. Limited

**Promoter(s):**

-

**Project #1140815**

**Issuer Name:**

Primary Petroleum Corporation  
Principal Regulator - Alberta

**Type and Date:**

Final Prospectus dated August 17, 2007  
Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

\$8,500,000.00 - 8,500,000 Units Price: \$1.00 per Unit

**Underwriter(s) or Distributor(s):**

Canaccord Capital Corporation

**Promoter(s):**

Michele Marrandino

**Project #1105271**

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**Issuer Name:**

San Anton Capital Inc.  
Principal Regulator - Quebec

**Type and Date:**

Final CPC Prospectus dated August 16, 2007  
Mutual Reliance Review System Receipt dated August 17, 2007

**Offering Price and Description:**

Minimum Offering: \$400,000.00 or 2,000,000 Class A Common Shares; Maximum Offering: \$1,800,000.00 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):**

CTI Capital Inc.

**Promoter(s):**

Jacques L'Africain

**Project #1124225**

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**Issuer Name:**

Series A, F, I, O and W Shares of:  
Symmetry Equity Class  
Symmetry Managed Return Class  
of

Mackenzie Financial Capital Corporation

Series A, F, I, O and W Units of:

Symmetry Registered Fixed Income Pool  
Principal Regulator - Ontario

**Type and Date:**

Amendment #2 dated August 8, 2007 to the Simplified Prospectuses and Annual Information Forms dated November 30, 2006

Mutual Reliance Review System Receipt dated August 16, 2007

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Mackenzie Financial Corporation

**Project #1010354**

**Issuer Name:**

Renaissance Canadian Balanced Fund  
Renaissance Canadian Balanced Value Fund  
Renaissance Canadian Core Value Fund  
Renaissance Canadian Dividend Income Fund  
Renaissance Canadian Growth Fund  
Renaissance Canadian High Yield Bond Fund  
Renaissance Canadian Monthly Income Fund  
Renaissance Canadian Real Return Bond Fund  
Renaissance Canadian Small-Cap Fund  
Renaissance Canadian T-Bill Fund  
Renaissance Emerging Markets Fund  
Renaissance Diversified Income Fund  
Renaissance European Fund  
Renaissance Global Growth Fund  
Renaissance Global Infrastructure Fund  
Renaissance Global Focus Fund  
Renaissance Global Technology Fund  
Renaissance International Index Fund  
Renaissance Optimal Income Portfolio  
Renaissance U.S. Equity Growth Fund  
Renaissance U.S. Equity Value Fund  
Renaissance U.S. Index Fund  
Renaissance U.S. Money Market Fund  
Renaissance Asian Fund  
Renaissance Canadian Bond Fund  
Renaissance Canadian Asset Allocation Fund  
Renaissance China Plus Fund  
Renaissance Dividend Fund  
Renaissance Global Asset Allocation Fund  
Renaissance Global Bond Fund  
Renaissance Global Value Fund  
Renaissance Global Health Care Fund  
Renaissance Global Markets Fund  
Renaissance Global Multi Management Fund  
Renaissance Global Resource Fund  
Renaissance Global Science & Technology Fund  
Renaissance Global Small-Cap Fund  
Renaissance Canadian Income Fund  
Renaissance International Equity Fund  
Renaissance Millennium High Income Fund  
Renaissance Millennium Next Generation Fund  
Renaissance Money Market Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated August 20, 2007  
Mutual Reliance Review System Receipt dated August 21, 2007

**Offering Price and Description:**

Mutual fund trust units at net asset value

**Underwriter(s) or Distributor(s):**

CIBC Asset Management Inc.

**Promoter(s):**

CIBC Asset Management Inc.

**Project #**1121201

## Chapter 12

# Registrations

### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Mountainview Asset Management Inc.	Investment Counsel and Portfolio Manager	August 15, 2007
New Registration	Windermere Capital (Canada) Inc.	Limited Market Dealer	August 15, 2007.
Voluntary Surrender of Registration	Shorcan ATS Limited	Investment Dealer	August 16, 2007
New Registration	Calrossie Investment Management Inc.	Investment Counsel and Portfolio Manager	August 17, 2007
New Registration	Lionridge Capital Management Inc.	Investment Counsel and Portfolio Manager	August 17, 2007
Name change	From: Natexis Bleichroeder Inc.  To: Natixis Bleichroeder Inc.	International Dealer	August 1, 2007
Change of Category	Magna Partners Ltd.	From: Limited Market Dealer  To: Investment Dealer	August 21, 2007
Change of Category	Lehman Brothers Canada Inc.	From: Limited Market Dealer  To Investment Dealer.	August 21, 2007
Reinstatement of Registration	Capital Partners Corporation	Limited Market Dealer	August 21, 2007



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## Chapter 13

# SRO Notices and Disciplinary Proceedings

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### 13.1.1 MFDA Hearing Panel issues Decision and Reasons respecting Ronald Freynet

**NEWS RELEASE**  
For immediate release

#### **MFDA HEARING PANEL ISSUES DECISION AND REASONS RESPECTING RONALD FREYNET**

**August 21, 2007** (Toronto, Ontario) – A Hearing Panel of the Prairie Regional Council of the Mutual Fund Dealers Association of Canada (“MFDA”) has issued its Decision and Reasons in connection with the disciplinary hearing held in Winnipeg, Manitoba on June 12, 2007 in respect of Ronald Freynet.

A copy of the Decision and Reasons is available on the MFDA website at <http://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 162 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

*For further information, please contact:*

Shaun Devlin  
Vice-President, Enforcement  
(416) 943-4672 or [sdevlin@mfda.ca](mailto:sdevlin@mfda.ca)

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## Chapter 25

# Other Information

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### 25.1 Exemptions

#### 25.1.1 GGOF 2007 Mining Flow-through Limited Partnership - OSC Rule 41-501 General Prospectus Requirements, s. 15.1

Exemption from the requirement to attach a copy of the limited partnership agreement to both the preliminary and final prospectus – Inclusion of the limited partnership agreement in the prospectus of the fund will not provide any additional disclosure to investors that would not already be publicly available on SEDAR – section 15.1 of Ontario Securities Commission Rule 41-501 General Prospectus Requirements and item 27.2 of Form 41-501F1 – Information Required in a Prospectus.

#### Applicable Legislative Provisions

Ontario Securities Commission Rule 41-501 General Prospectus Requirements, s. 15.1.  
Form 41-501F1 Information Required in a Prospectus, Item 27.2.

August 17, 2007

**Borden Ladner Gervais LLP**  
Scotia Plaza, 40 King Street West  
Toronto, ON M5H 3Y4

#### Attention: Carol E. Derk

Dear Sirs/Mesdames:

**Re: GGOF 2007 Mining Flow-through Limited Partnership (the "Partnership")  
Exemptive Relief Application under Part 15 of  
OSC Rule 41-501 General Prospectus  
Requirements ("Rule 41-501")  
Application No. 2007/0619, SEDAR Project No.  
1134801**

By letter dated July 30, 2007 (the "Application"), the Partnership applied to the Director of the Ontario Securities Commission (the "Director") pursuant to section 15.1 of Rule 41-501 for relief from the operation of item 27.2 of Form 41-501F1 which requires that an issuer attach a copy of the limited partnership agreement to both its preliminary and final prospectus.

This letter confirms that, based on the information and representations made in the Application, and for the purposes described in the Application, the Director intends to grant the requested exemption to be evidenced by the issuance of a receipt for the Partnership's prospectus, subject to the following conditions:

1. the final prospectus will include a summary of all material provisions of the limited partnership agreement; and
2. the final prospectus will advise investors and potential investors of the various means by which they can obtain copies of the limited partnership agreement, which will include:
  - a. inspection during normal business hours at the Partnership's principal place of business;
  - b. from SEDAR;
  - c. upon written request to the General Partner; and
  - d. from the website of the Partnership or the Manager.

Yours very truly,

"Leslie Byberg"  
Manager, Investment Funds

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