The Ontario Securities Commission

OSC Bulletin

January 11, 2008

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

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JANUARY 11, 2008

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
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Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

January 11, 2008 10:00 a.m.	**Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: WSW/DLK
January 16, 2008 10:00 a.m.	**Jose Castaneda** s. 127 and 127.1 H. Craig in attendance for Staff Panel: WSW/ST
January 18, 2008 10:00 a.m.	**Swift Trade Inc. and Peter Beck** s. 127 S. Horgan in attendance for Staff Panel: TBA
January 22, 2008 2:30 p.m.	**Global Partners Capital, WS Net Solution, Inc., Hau Wai Cheung, Christine Pan, Gurdip Singh Gahunia** s. 127 S. Horgan in attendance for Staff Panel: JEAT

January 22, 2008 3:00 p.m.	**Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries** s. 127 & 127.1 J. S. Angus in attendance for Staff Panel: JEAT/ST
January 31, 2008 10:00 a.m.	**MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric** s. 127 & 127(1) D. Ferris in attendance for Staff Panel: JEAT
February 13, 2008 10:00 a.m.	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 M. Mackewn in attendance for Staff Panel: RLS/ST
February 15, 2008 10:00 a.m.	**Land Banc of Canada Inc., LBC Midland I Corporation, Fresno Securities Inc., Richard Jason Dolan, Marco Lorenti and Stephen Zeff Freedman** s. 127 H. Craig in attendance for Staff Panel: PJL/ST
February 22, 2008 10:00 a.m.	**Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony** s. 127 and 127.1 H. Craig in attendance for Staff Panel: JEAT
February 27, 2008 10:00 a.m.	**John Alexander Cornwall, Kathryn A. Cook, David Simpson, Jerome Stanislaus Xavier, CGC Financial Services Inc. and First Financial Services** s. 127 and 127.1 S. Horgan in attendance for Staff Panel: RLS/DLK/MCH
March 4, 2008 2:30 p.m.	**Sunwide Finance Inc., Sun Wide Group, Sun Wide Group Financial Insurers & Underwriters, Wi-Fi Framework Corporation, Bryan Bowles, Steven Johnson, Frank R. Kaplan and George Sutton** s. 127 C. Price in attendance for Staff Panel: TBA
March 25, 2008 10:00 a.m.	**Xi Biofuels Inc., Biomaxx Systems Inc., Ronald David Crowe and Vernon P. Smith** s. 127 M. Vaillancourt in attendance for Staff Panel: JEAT
March 25, 2008 10:00 a.m.	**Xiiva Holdings Inc. carrying on Business as Xiiva Holdings Inc., Xi Energy Company, Xi Energy and Xi Biofuels** s. 127(1) & 127(5) M. Vaillancourt in attendance for Staff Panel: JEAT
March 28, 2008 10:00 a.m.	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: LER/MCH

March 28, 2008
11:00 a.m.
Saxon Financial Services, Saxon Consultants, Ltd., International Monetary Services, FXBridge Technology, Meisner Corporation, Merchant Capital Markets, S.A., Merchant Capital Markets, MerchantMarx et al

s. 127(1) & (5)

S. Horgan in attendance for Staff

Panel: JEAT/CSP

March 31, 2008
10:00 a.m.
Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton

s. 127

H. Craig in attendance for Staff

Panel: TBA

April 2, 2008
10:00 a.m.
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.

s. 127 and 127.1

Y. Chisholm in attendance for Staff

Panel: TBA

April 7, 2008
2:30 p.m.
Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)

s.127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

May 5, 2008
10:00 a.m.
John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir

S. 127 & 127.1

I. Smith in attendance for Staff

Panel: TBA

May 5, 2008
10:00 a.m.
Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas

s.127

P. Foy in attendance for Staff

Panel: WSW/DLK

May 27, 2008
2:30 p.m.
Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky

s. 127 and 127.1

Y. Chisholm in attendance for Staff

Panel: WSW/DLK

June 24, 2008
2:30 p.m.
David Watson, Nathan Rogers, Amy Giles, John Sparrow, Leasesmart, Inc., Advanced Growing Systems, Inc., The Bighub.com, Inc., Pharm Control Ltd., Universal Seismic Associates Inc., Pocketop Corporation, Asia Telecom Ltd., International Energy Ltd., Cambridge Resources Corporation, Nutrione Corporation and Select American Transfer Co.

s. 127 and 127.1

P. Foy in attendance for Staff

Panel: TBA

July 14, 2008
10:00 a.m.
Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin

s. 127

H. Craig in attendance for Staff

Panel: TBA

November 3, 2008 10:00 a.m.	**Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 E. Cole in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s.127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Shane Suman and Monie Rahman** s. 127 & 127(1) K. Daniels in attendance for Staff Panel: TBA
TBA	**Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: JEAT/ST
TBA	**Stanton De Freitas** s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
TBA	**Rex Diamond Mining Corporation, Serge Muller and Benoit Holemans** s. 127 & 127(1) J. Corelli in attendance for Staff Panel: WSW/DLK/KJK

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

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

1.1.2 Jefferies Asset Management, LLC - Notice of Correction

This order, which was published at 31 OSCB 112 (January 4, 2008), contains an error in the date on page 115. The date reads "December 28, 2008"; it should read "December 28, 2007".

1.1.3 OSC Staff Notice 11-739 (Revised) - Policy Reformulation Table of Concordance and List of New Instruments

OSC STAFF NOTICE 11-739 (REVISED)

POLICY REFORMULATION TABLE OF CONCORDANCE AND LIST OF NEW INSTRUMENTS

The following revisions have been made to the Table of Concordance and List of New Instruments. A full version of the Table of Concordance and List of New Instruments as of December 31, 2007 has been posted to the OSC Website at www.osc.gov.on.ca under Policy and Regulation/Status Summaries.

Table of Concordance

Item Key
The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-CSA Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

Reformulation

Instrument	Title	Status
NP 14	Acceptability of Currencies in Material Filed with Securities Regulatory Authorities	***To be rescinded (tied to 41-101)***
NP 21	National Advertising – Warnings	***To be rescinded (tied to 41-101)***
NP 22	Use of Information and Opinion Re Mining and Oil Properties by Registrants and Others	***Rescinded on December 28, 2007***
NP 48	Future-Oriented Information	***Rescinded on December 31, 2007***
CSA Notice 3	Pre-Marketing Activities in the Context of Bought Deals	***To be withdrawn (tied to 41-101)***
OSC Policy 5.1	Prospectuses – General Guidelines	***To be rescinded (tied to 41-101)***
OSC Policy 5.3	Mortgage and Real Estate Investment Trusts and Partnerships	***To be rescinded (tied to 41-101)***
OSC Policy 5.4	"Closed End" Income Investment Trusts and Partnerships (Other Than Mortgage and Real Estate Investment Trusts and Partnerships)	***To be rescinded (tied to 41-101)***
OSC Policy 5.7	Preliminary Prospectus – Preparation, Filing and Frequently Occurring Deficiencies	***To be rescinded (tied to 41-101)***
OSC Notice 20	Selective Review of Prospectuses and other Documents	***To be withdrawn (tied to 41-101)***

New Instruments

11-739	Policy Reformulation Table of Concordance and List of New Instruments (Revised)	***Published October 5, 2007***
51-101	Standards of Disclosure for Oil and Gas Activities - Amendments	***Published October 12, 2007. Came into force December 28, 2007***
51-102	Continuous Disclosure Obligations – Amendments (related to NP 48) (includes consequential amendments to 44-101, 45-101, 45-106, 41-201, 51-201, 41-501, 45-501)	***Published October 12, 2007 and December 21, 2007. Came into force December 31, 2007***
51-102	Continuous Disclosure Obligations – Amendments (includes consequential amendments to 52-107, 52-109, 52-110, 58-101, 71-102, 51-801, 41-501)	***Published October 12, 2007 and December 21, 2007. Came into force December 31, 2007***
51-102	Continuous Disclosure Obligations – Amendments (includes consequential amendments to 52-108)	***Published for comment October 12, 2007***
51-706	Corporate Finance Branch Report	***Published November 2, 2007***
33-729	Marketing Practices of Investment Counsel/Portfolio Managers	***Published November 9, 2007***
21-307	Extension of Approval of Information Processor for Corporate Fixed Income Securities	***Published November 9, 2007***

New Instruments (continued)

11-737	Securities Advisory Committee Vacancies (Revised)	***Published November 23, 2007***
52-319	Status of Proposed Repeal and Replacement of MI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings	***Published November 23, 2007***
52-717	Certification of Annual and Interim Filings – Venture Issuer Basic Certifications	***Published November 23, 2007***
55-102	System for Electronic Disclosure by Insiders (SEDI) – Amendments	***Published for comment December 7, 2007***
62-504	Take-Over Bids and Issuer Bids (includes consequential amendments to 13-502, 62-103, 71-801)	***Published December 14, 2007***
62-201	Bids made only in certain jurisdictions	***To be revoked (tied to 62-104)***
62-203	Take-Over Bids and Issuer Bids	***Published December 14, 2007***
61-101	Protection of Minority Security Holders in Special Transactions	***Published December 14, 2007***
61-801	Implementing Multilateral Instrument 61-101	***Published December 14, 2007***
62-303	Identifying the Offeror in a Take-over Bid	***To be withdrawn (tied to 62-104)***
62-501	Prohibited Stock Market Purchases of the Offeree's Securities by the Offeror During a Take-Over Bid	***To be revoked (tied to 62-504)***
62-503	Financing of Take-over Bids and Issuer Bids	***To be revoked (tied to 62-504)***
62-904	Recognition Order - In the Matter of the Recognition of Certain Jurisdictions [ss. 93(1)(e) and ss. 93(3)(h) of the Act (1997), 20 O.S.C.B. 1035	***To be revoked (tied to 62-504)***
61-701	Applications for Exemptive Relief under Rule 61-501	***To be withdrawn (tied to 61-101)***
61-501	Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions	***To be revoked (tied to 61-801)***
61-801	Implementing MI 61-101 Protection of Minority Security Holders in Special Transactions (includes consequential amendments to 71-802)	***Published December 14, 2007***
24-305	Frequently Asked Questions about NI 24-101 Institutional Trade matching and Settlement and Related Companion Policy	***Published December 14, 2007***
51-313	Frequently Asked Questions – National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities	***Withdrawn on December 28, 2007***
51-321	Questions and answers concerning resources and possible reserves National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities	***Withdrawn on December 28, 2007***
51-317	National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities Application of Canadian Oil and Gas Evaluation Handbook	***Withdrawn on December 28, 2007***
51-324	Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities	***Published October 12, 2007***
41-101	General Prospectus Requirements – Repeal and Replacement (includes consequential amendments to 13-502, 14-101, 44-101, 44-102, 44-103, 45-101, 51-102, 81-101, 81-104, 12-202, 56-501, 71-801)	***Published December 21, 2007***
41-801	Implementing National Instrument 41-101	***Published December 21, 2007***
42-303	Prospectus Requirements	***To be withdrawn (tied to 41-101)***
44-301	Frequently Asked Questions Regarding the New Prospectus Rules	***To be withdrawn (tied to 41-101)***
41-501	General Prospectus Requirements	***To be revoked (tied to 41-101)***
41-502	Prospectus Requirements for Mutual Funds	***To be revoked (tied to 41-101)***
44-801	Implementing National Instrument 44-101	***To be revoked (tied to 41-101)***
47-601	Advertising During the Waiting Period	***To be rescinded (tied to 41-101)***
43-701	Regarding National Instrument 43-101	***To be withdrawn (tied to 41-101)***
43-702	Review Time Frames for "Equity Line" Short Form Prospectuses	***To be withdrawn (tied to 41-101)***
46-701	Use of "Special Warrants" in Connection with Distributions of Securities by Prospectus	***To be withdrawn (tied to 41-101)***

New Instruments (continued)

47-701	Advertising and Use of Marketing Material During the Waiting Period	***To be withdrawn (tied to 41-101)***
47-702	Contemporaneous Private Placements and Public Offerings and Media Coverage Prior to the Commencement of the Waiting Period	***To be withdrawn (tied to 41-101)***
47-703	Media Articles Appearing During the Waiting Period	***To be withdrawn (tied to 41-101)***
47-704	Pre-Marketing Activities in the Context of Bought Deals	***To be withdrawn (tied to 41-101)***
81-707	Labour Sponsored Investment Funds – Summary Disclosure of Fees, Expenses and Annual Performance Information in Prospectuses of LSIFs; and the Payment of Sales and Trailing Commissions Out of Fund Assets	***To be withdrawn (tied to 41-101)***

For further information, contact:

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January 11, 2008

1.3 News Releases

1.3.1 Latest Canadian Securities Regulators' Enforcement Efforts Result in Approximately $6.3 Million in Sanctions

FOR IMMEDIATE RELEASE
January 8, 2008

LATEST CANADIAN SECURITIES REGULATORS' ENFORCEMENT EFFORTS RESULT IN APPROXIMATELY $6.3 MILLION IN SANCTIONS

Montreal - The Canadian Securities Administrators' (CSA) latest joint report on enforcement activities shows that Canada's securities regulators worked together to complete 58 cases involving 226 companies and individuals, resulting in monetary sanctions, settlements and disgorgements totalling approximately $6.3 million. Additionally, regulators stopped 13 individuals and companies who were banned in one province or territory from continuing operations elsewhere. This edition of the CSA *Report on Enforcement Activities* highlights regulatory enforcement activities that occurred during the period April 1 to September 30, 2007.

During this period, the CSA also initiated proceedings in respect of 56 new enforcement matters and issued 42 interim orders to freeze assets and/or stop individuals and companies from trading in Canada's capital markets.

Canadian criminal courts convicted 13 individuals and three companies of violating securities laws as a result of proceedings initiated by CSA members. These convictions resulted in $1.6 million in fines and restitution orders, and jail sentences for individuals up to six months. The majority of these court convictions were against those found to have illegally distributed securities.

"We issue this report twice a year to raise public awareness of the enforcement efforts that securities regulatory authorities are taking individually and collectively to protect Canadian investors and Canada's capital markets from harm," says Jean St-Gelais, Chair of the CSA and President & Chief Executive Officer of the Autorité des marchés financiers (Québec). "The results clearly demonstrate that Canada's regulators take very seriously any risk to investors and the capital markets."

The report not only identifies securities commission and court decisions in all of the CSA jurisdictions, but also provides information related to enforcement activities carried out by self-regulatory organizations such as the Investment Dealers Association of Canada, the Mutual Fund Dealers Association of Canada and Market Regulation Services Inc. The report also gathers information regarding the activities of the Chambre de la sécurité financière, as well as the Montreal Exchange.

The seventh CSA *Report on Enforcement Activities* is available on the CSA website (http://www.csa-acvm.ca) and several provincial and territorial securities regulators' websites.

The CSA is the council of the securities regulators of Canada's provinces and territories whose objectives are to improve, coordinate and harmonize regulation of the Canadian capital markets.

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1.4 Notices from the Office of the Secretary

1.4.1 Hollinger Inc. et al.

FOR IMMEDIATE RELEASE
January 7, 2008

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

AND

IN THE MATTER OF
HOLLINGER INC., CONRAD M. BLACK,
F. DAVID RADLER, JOHN A. BOULTBEE,
AND PETER Y. ATKINSON

TORONTO – The Commission issued an Order today on consent of all parties which provides that:

(i) the hearing of this matter, currently scheduled for January 8, 2008, is adjourned; and

(ii) the hearing is scheduled for March 28, 2008 at 10:00 a.m., or such other date as may be agreed to by the parties and fixed by the Secretary to the Commission, for the purpose of addressing the scheduling of this proceeding.

A copy of the Order dated January 7, 2008 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.2 Merax Resource Management Ltd. et al.

FOR IMMEDIATE RELEASE
January 8, 2008

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

AND

IN THE MATTER OF
MERAX RESOURCE MANAGEMENT LTD.,
carrying on business as
CROWN CAPITAL PARTNERS,
RICHARD MELLON AND ALEX ELIN

TORONTO – Following a pre-hearing conference held on December 12, 2007 in the above named matter, the Commission issued an Order providing that on consent of all parties, that all parties attend on May 13, 2008 at 2:30 p.m. to continue the pre-hearing conference and that the hearing shall commence on July 14, 2008 at 10:00 a.m. subject to further instructions from the Office of the Secretary.

A copy of the Order dated December 12, 2007 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Acuity Investment Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Transfer of assets between non-redeemable investment funds in connection with proposed mergers exempted from the self-dealing prohibition in paragraph 118(2)(b) - Transfer of the investment portfolio of each Terminating Fund to the Continuing Fund by operation of the Mergers may be considered a sale of securities caused by the portfolio manager from the Terminating Fund to the account of an associate of a responsible person - Mergers subject to unitholder approval - All costs of the Mergers will be borne by Manager - Securities Act (Ontario).

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 118(2)(b), 121(2)(a)(ii).

December 21, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
ONTARIO, QUEBEC, NOVA SCOTIA,
NEW BRUNSWICK, PRINCE EDWARD ISLAND
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
ACUITY INVESTMENT MANAGEMENT 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**") granting relief from the restriction in the Legislation which prohibits a portfolio manager, or in British Columbia, a mutual fund or a responsible person, from purchasing or selling the securities of any issuer from or to the account of a responsible person or any associate of a responsible person in connection with the mergers (the "**Mergers**") of Acuity All Cap & Income Trust, Acuity Diversified Total Return Trust and Acuity Multi-Cap Total Return Trust (collectively, the "**Terminating Funds**") into Acuity Growth & Income Trust (the "**Continuing Fund**") (the "**Requested Relief**").

Under the Mutual Reliance Review System ("**MRRS**") 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 the Filer:

1. The Filer intends to merge the Terminating Funds into the Continuing Fund, which will involve the transfer of assets of the Terminating Funds in exchange for units of the Continuing Fund (the "**Continuing Fund Units**").

2. At the time the Mergers are effected, the Filer will be the "portfolio manager", or in British Columbia, a "responsible person", for each of the Terminating Funds and the Continuing Fund (collectively, the "**Funds**") for purposes of the Legislation.

3. Acuity Funds Ltd. (the "**Manager**"), is the manager and trustee of the Funds.

4. At the time that the Mergers are effected, the Manager will be an affiliate of the Filer that has access prior to the implementation to investment decisions made on behalf of clients of the Filer, and will therefore be a "responsible person" under the Legislation.

5. At the time that the Mergers are effected, the Manager will be the trustee of the Funds, and therefore the Funds will be an "associate of a responsible person" under the Legislation.

6. The transfer of the investment portfolio of each Terminating Fund to the Continuing Fund by operation of the Mergers may be considered a sale of securities caused by the Filer from the Terminating Fund to the account of an associate of a responsible person, contrary to the Legislation.

7. Each Fund is a "non-redeemable investment fund" as defined in the Legislation and is not a mutual fund for the purposes of the Legislation. Each Fund's units are traded on the Toronto Stock Exchange ("**TSX**").

8. Each Fund was established pursuant to a declaration of trust under the laws of the Province of Ontario.

9. Acuity All Cap & Income Trust (a Terminating Fund) offered its units in all of the Provinces of Canada pursuant to a final prospectus dated April 29, 2004 and closed its initial public offering on May 17, 2004.

10. Acuity Diversified Total Return Trust (a Terminating Fund) offered its units in all of the Provinces of Canada pursuant to a final prospectus dated January 30, 2006 and closed its initial public offering on February 16, 2006.

11. Acuity Multi-Cap Total Return Trust (a Terminating Fund) offered its units in all of the Provinces of Canada pursuant to a final prospectus dated September 28, 2005 and closed its initial public offering on October 19, 2005.

12. Acuity Growth & Income Trust (the Continuing Fund) offered its units in all of the Provinces of Canada pursuant to a final prospectus dated November 27, 2003 and closed its initial public offering on December 17, 2003.

13. Unitholders of the Funds will approve the Mergers at special meetings of unitholders to be held on December 24, 2007 (the "**Meetings**"). In connection with the Meetings, the Manager is sending to the unitholders of each Fund a joint management information circular and Joint Notice of Special Unitholders Meeting each dated November 15, 2007 and a related form of proxy (collectively, the "**Meeting Materials**"). Once the unitholders approve the Mergers, it is proposed that each Merger will occur on or about December 28, 2007 (the "**Effective Date**"), subject to regulatory approvals, where necessary.

14. The declaration of trust of each of the Terminating Funds and the Continuing Fund will be amended as required in order to implement the Mergers.

15. Unitholders of each of the Funds were provided with tax disclosure about the ramifications of the Mergers in the Meeting Materials delivered to them in connection with the Meetings.

16. On the Effective Date, each Terminating Fund will transfer all of its assets, except such cash required to extinguish any liabilities of the Terminating Fund, to the Continuing Fund in exchange for Continuing Fund Units. The Continuing Fund Units received by the Terminating Fund will have an aggregate net asset value equal to the net asset value of the Terminating Fund and will be issued at the net asset value per unit of the Continuing Fund in each case as of the close of business on the Effective Date.

17. Immediately thereafter, the Continuing Fund Units received by a Terminating Fund will be distributed to unitholders of the Terminating Fund in proportion to the number of units held in the Terminating Fund. Each unitholder will receive units of the Continuing Fund having the same aggregate net asset value per unit as their units of the Terminating Fund as of the close of business on the Effective Date.

18. Following the Mergers, the Continuing Fund will continue trading under the symbol "AIG.UN".

19. The Manager will file a press release and material change report to announce the approval of the Mergers.

20. The Mergers are being proposed to enable unitholders of the Terminating Funds to hold Continuing Fund Units. The larger asset base of the Continuing Fund following the Mergers is expected to reduce the operating costs of the Continuing Fund on a per unit basis and increase ongoing liquidity of the Continuing Fund Units on the TSX. Under a merged fund, administrative cost savings will be realized through eliminating the duplication of certain third party costs including transfer agent fees, audit fees, legal fees, exchange listing fees, printing fees and mailing and reporting costs. Any net cost savings will benefit Continuing Fund unitholders.

21. If approved, the merger of the Acuity All Cap & Income Trust (a Terminating Fund) into the Continuing Fund will be effected on a "qualifying exchange" basis which provides a tax-deferred "rollover" to unitholders of that Terminating Fund. This will allow unitholders of that Terminating Fund to defer any capital gain on the exchange of their units until they sell or redeem units of the Continuing Fund received under the exchange.

22. If approved, the mergers of the Acuity Diversified Total Return Trust and Acuity Multi-Cap Total Return Trust into the Continuing Fund will be effected on a taxable basis.

23. The Funds have similar investment objectives, fee structures and valuation procedures.

24. No sales charges, redemption fees or other fees or commissions will be payable by unitholders of the Funds in connection with the Mergers. All costs and expenses associated with the Mergers will be borne by the Manager.

25. In the opinion of the Filer, the Mergers will not adversely affect unitholders of the relevant Terminating Fund or the Continuing Fund and will in fact be in the best interests of unitholders of each of the Funds.

26. In the absence of this order, the Filer would be prohibited from purchasing and selling the securities of the Terminating Funds in connection with the Mergers.

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.

"Robert L. Shirriff"
Commissioner
Ontario Securities Commission

"Margot C. Howard"
Commissioner
Ontario Securities Commission

2.1.2 Mercator Minerals Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Take-Over Bids - Offeror needs relief from the requirement in s. 168(2) of the Securities Act (Alberta) that all holders of the same class of securities must be offered identical consideration - Under the bid, Canadian shareholders will receive securities of the Offeror as consideration; US shareholders will receive either cash or shares, depending on whether securities can be delivered pursuant to state legislation - Offeror exempt from requirement that all holders of the same class of securities must be offered identical consideration.

Citation: Mercator Minerals Ltd., 2007 ABASC 916

December 20, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEW BRUNSWICK 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
MERCATOR MINERALS LTD.
(the Filer)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the requirement in the Legislation to offer identical consideration to all holders of the same class of securities subject to a take-over bid (the **Identical Consideration Requirement**) in connection with the proposed take-over bid to be made by the Filer for all of the issued and outstanding common shares (the **Tyler Shares**) of Tyler Resources Inc. (**Tyler**) (the **Requested Relief**).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Alberta Securities Commission (the **Commission**) is the principal regulator for this application; and

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

Interpretation

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

Representations

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

(a) The Filer is a corporation existing under the *Business Corporations Act* (British Columbia). The registered and Canadian head office of the Filer is located in Vancouver, British Columbia.

(b) The Filer is a reporting issuer in Alberta, British Columbia and Ontario and is not in default of any requirements of the applicable securities legislation of any such jurisdiction in which it is a reporting issuer.

(c) The common shares of the Filer (the **Mercator Shares**) are listed and posted for trading on the Toronto Stock Exchange (the **TSX**).

(d) Tyler is a corporation continued under the Business Corporations Act (Alberta) and is headquartered in Calgary, Alberta.

(e) Tyler is a reporting issuer in Alberta, British Columbia, Ontario and Québec.

(f) The Tyler Shares are listed and posted for trading on the TSX Venture Exchange.

(g) On October 19, 2007, the Filer issued a press release announcing its intention to make an offer (the **Offer**) to acquire all of the issued and outstanding Tyler Shares on the basis of 0.113 of a Mercator Share of the Filer for each one Tyler Share.

(h) Because the Mercator Shares issuable pursuant to the Offer to holders of Tyler Shares resident in the US (the **US Shareholders**) have not been registered under the 1933 Act, and are not eligible for sale under the securities laws of a substantial number of states in the United States without registration, the offer, sale and delivery of such Mercator Shares to US Shareholders without further action by the Filer would constitute a violation of United States securities laws.

(i) Rule 802 of the 1933 Act (**Rule 802**) provides an exemption from the registration requirements of the 1933 Act for offers and sales in any exchange offer for a class of securities of a foreign private issuer or in any exchange of securities for the securities of a foreign private issuer in any business combination if the holders of the foreign subject company resident in the United States hold no more than 10% of the securities that are the subject of the exchange offer or business combination. Rule 802 provides that for the purposes of this calculation, securities held by persons who hold more than 10% of the subject securities are to be excluded, as are securities held by the offeror. In order for this exemption to apply, holders resident in the United States must participate in the exchange offer or business combination on terms at least as favourable as those offered to the other holders of the subject securities, subject to an exception which allows the offeror to offer cash consideration to securityholders resident in states of the United States that do not have an applicable state "blue sky" exemption from the registration or qualification requirements of state securities laws.

(j) To the knowledge of the Filer, based on public disclosure, Tyler is a "foreign private issuer" within the meaning of Rule 405 of Regulation C under the 1933 Act. Furthermore, to the knowledge of the Filer, based on public disclosure contained in Tyler's management information circular filed with the Canadian securities regulators on April 26, 2007, there are no persons that hold more than 10% of the Tyler Shares. To the knowledge of the Filer, based on an affidavit provided to staff of the Commission on December 6, 2007, approximately 13.68% of the issued and outstanding Tyler Shares are beneficially held by the US Shareholders.

(k) On November 9, 2007, the date on which Mercator launched the bid, Mercator believed, based on publicly available information and information provided to Mercator by Tyler, that U.S. Shareholders beneficially owned 10% or less of the Tyler common shares and

consequently Mercator believed it was in compliance with Rule 802.

(l) There is no general exemption from state "blue sky" laws that coordinates with Rule 802. As a result, the securities laws of a significant number of states would prohibit delivery of the Mercator Shares to US Shareholders without registration of the Mercator Shares to be issued to US Shareholders resident in such states unless such holders are otherwise exempt investors under the laws of such states. The Multi-Jurisdictional Disclosure System does not provide relief from the registration or qualification requirements of United States state securities laws.

(m) Registration under the 1933 Act and applicable state securities laws of the Mercator Shares deliverable to US Shareholders would be costly and burdensome to the Filer.

(n) For US Shareholders (and Tyler Shareholders who appear to the Filer or to the depository (the **Depository**) designated under the Offer to be US Shareholders) who are resident in one of the subject states with no available registration exemption, the Filer proposes to deliver to the Depository the Mercator Shares that those US Shareholders would otherwise be entitled to receive under the Offer, and an agent or nominee of the Depository will then sell (or cause to be sold) the Mercator Shares on behalf of those US Shareholders through the facilities of the TSX. As soon as possible after the completion of the sale, the Depository or selling agent will deliver to each US Shareholder their respective pro rata share of the cash proceeds of sale, less commissions and applicable withholding taxes.

(o) Any sale of the Mercator Shares will be completed as soon as practicable after the date on which the Filer issues the Mercator Shares in exchange for the Tyler Shares tendered by the US Shareholders under the Offer and will be done in a manner intended to maximize the consideration to be received from the sale by the applicable US Shareholder and minimize any adverse impact of the sale on the market for the Mercator Shares.

(p) The take-over bid circular to be prepared by the Filer and sent to all Tyler Shareholders will disclose the procedure described in paragraph (n) above to be followed by US Shareholders who tender their Tyler Shares to the Offer.

(q) Except to the extent that relief from the Identical Consideration Requirement is granted, the Offer will otherwise be made in compliance with the requirements under the Legislation governing take-over bids.

Decision

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

6. The decision of the Decision Makers under the Legislation is that, in connection with the Offer, the Requested Relief is granted so that US Shareholders who would otherwise receive Mercator Shares under the Offer instead receive cash proceeds from the sale of those Mercator Shares in accordance with the procedure set out in paragraph 4(n) above.

"William S. Rice" QC
Alberta Securities Commission

"Glenda A. Campbell" QC
Alberta Securities Commission

2.1.3 Front Street Long/Short Income Fund - s. 1(10)

Headnote

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

Applicable Legislative Provisions

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

January 3, 2008

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario
M5L 1A9

Attention: Stacy McLean

Dear Sirs / Mesdames:

Re: Front Street Long/Short Income Fund (the "Applicant")

Re: Application to cease to be a reporting issuer under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia 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 that the Applicant be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Maker that,

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

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

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any obligations under the Legislation as a reporting issuer,

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

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

2.1.4 Scotia Mortgage Investment Corporation - s. 1(10)(b)

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)(b).

January 4, 2008

Scotia Mortgage Investment Corporation
c/o McCarthy Tetrault LLP
Suite 4700
Toronto-Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1E6

Attention : David Judson

Dear Sirs:

Re: Scotia Mortgage Investment Corporation. (the "Applicant") - application for an order not to be a reporting issuer under the securities legislation of Ontario, Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Quebec and Saskatchewan (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that:

(a) 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;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for relief not to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) 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.

"Cameron McInnis"
Manager, Corporate Finance
Ontario Securities Commission

2.1.5 Fimat Canada Inc. and Calyon Financial Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 33-109 – Registration Information (NI 33-109) – relief from certain filing requirements of NI 33-109 in connection with a bulk transfer of business locations and registered and non-registered individuals under an amalgamation.

Applicable Ontario Statutory Provisions

National Instrument 33-109 – Registration Information.

December 21, 2007

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

AND

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

AND

IN THE MATTER OF
FIMAT CANADA INC. (Fimat Canada)
AND
CALYON FINANCIAL CANADA INC (Calyon Canada)
(Calyon Canada, together with Fimat Canada, the Filers)

MRRS DECISION DOCUMENT

Background

The local securities authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filers from the requirements of National Instrument 33-109 Registration Information (**NI 33-109**) so as to permit the Filers to bulk transfer (the **Bulk Transfer**) to a new entity created for the Filers under the National Registration Database (NRD), the office locations and registered and non-registered individuals that are associated on NRD with the Filers (the **Affected Locations and Individuals**) following the vertical short form amalgamation of the Filers under the provisions of Section 184 (1) of the *Canada Business Corporations Act* (the **CBCA**) into a new entity on January 2, 2008 (the **Amalgamation**) to pursue each corporation's business activities under the corporate name Newedge Canada Inc. (**Newedge Canada**) (the **Requested Relief**);

Under the MRRS:

a) the Autorité des marchés financiers is the principal regulator for this application: and

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

Interpretation

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

Representations

This decision is based on the following statements presented by the Filers:

1. Fimat Canada is currently registered (i) in Alberta, as an Investment Dealer (Securities and Exchange Contracts), (ii) in British Columbia, as an Investment Dealer (Securities and Exchange Contracts) (iii) in Manitoba, as an Investment Dealer (Securities)/Dealer (Futures Commission Merchant) Commodities, (iv) in New Brunswick, as an Investment Dealer, (v) in Nova Scotia, as an Investment Dealer, (vi) in Ontario, as an Investment Dealer & Futures Commission Merchant (vii) in Quebec, as a Dealer with unrestricted practice, and (viii) in Saskatchewan, as an Investment Dealer.

2. Calyon Canada is currently registered (i) in Alberta, as an Investment Dealer (Securities and Exchange Contracts), (ii) in British Columbia, as an Investment Dealer (Securities and Exchange Contracts), (iii) in Manitoba, as an Investment Dealer (Securities)/Dealer (Futures Commission Merchant) Commodities, (iv) in New Brunswick, as an Investment Dealer, (v) in Newfoundland and Labrador, as an Investment Dealer, (vi) in Nova Scotia, as an Investment Dealer, (vii) in Ontario, as an Investment Dealer & Futures Commission Merchant, (viii) in Quebec, as a Dealer with unrestricted practice, (ix) in Prince Edward Island, as an Investment Dealer, and (x) in Saskatchewan, as an Investment Dealer.

3. Description of the transactions:

   a. First Step – The Changes of Control

   On January 2, 2008, (i) the current sole shareholder of Fimat Canada, being Fimat International Banque SA, a subsidiary of Société Générale (**SG France)**, will be renamed Newedge Group (**Newedge**) after the amalgamation of Calyon Financial SAS and Fimat SNC/SAS into Fimat International Banque SA, and (ii) Calyon, the investment banking arm of the Crédit Agricole Group and a subsidiary of Crédit Agricole, (**Calyon**) that owns indirectly all the shares of

Calyon Canada through Calyon North American Holdings Inc (**CNAH**) and Calyon Financial Inc., will acquire 50% of all the shares of Newedge.

Consequently, on January 2, 2008, (i) the shares of Newedge will be held, by SG France (50%) and by Calyon (50%), and (ii) Newedge will hold, directly, all the shares of Fimat Canada.

b. Second Step – Indirect Transfer of Calyon Canada under Newedge

On the same date, (i) all the shares of CNAH (the current holding company of Calyon Financial Inc., which is the sole shareholder of Calyon Canada) will be transferred to Newedge, and (ii) Newedge will merge CNAH into Fimat USA LLC, so that CNAH will cease to exist and Calyon Financial Inc. will be a wholly owned subsidiary of Fimat USA LLC.

Newedge will then hold, indirectly, all the shares of Calyon Canada, through Fimat USA that will then hold itself all the shares of Calyon Financial Inc., the sole shareholder of Calyon Canada at the time of such Second Step.

All transactions mentioned in First Step and Second Step are hereinafter referred to as the **Foreign Transactions**.

c. Third Step – The Acquisition

Also, on the same date, (i) Fimat Canada will acquire all the shares of Calyon Canada currently held by Calyon Financial Inc. (the **Acquisition**), and (ii) Fimat Canada will change its name to Newedge Canada.

d. Fourth Step – The Amalgamation

Immediately further to the Acquisition, Calyon Canada will be amalgamated into Newedge Canada by way of a vertical short-form amalgamation pursuant to the provisions of the *Canada Business Corporations Act* (the **Amalgamation**).

4. The amalgamated corporation will carry on its activities under the name "Newedge Canada Inc." (the **Amalgamated Corporation**). The registered office of the Amalgamated Corporation will be located at 1501, McGill College Avenue, Suite 1930, Montreal, Quebec H3A 3M8.

5. Upon the Amalgamation, all the issued and outstanding shares in the capital of Calyon Canada, the entirety of which will be held by Fimat Canada, will be cancelled without reimbursement of capital. Furthermore, the articles of amalgamation will be identical to Fimat's articles. Moreover, Newedge Canada, the corporation resulting from the Amalgamation, will not make any changes to its senior executives, and will not issue any shares at the time of the Amalgamation.

6. At the date appearing on the certificate of amalgamation, the amalgamating corporations will continue their existence as one and the same corporation. This corporation will possess all the rights of the amalgamating corporations and shall assume their obligations as well.

7. For the purpose of the NRD, the successor registrant to Fimat Canada and Calyon Canada shall be Newedge Canada.

8. Fimat Canada and Calyon Canada are organizing the bulk transfer on NRD of all Affected Locations and Individuals to Newedge Canada (the **Bulk Transfer**).

9. It would be onerous and time-consuming to individually transfer all the Affected Locations and Individuals to Newedge Canada as per the requirement set out in NI 33-109, having regard to the fact that there should be no change to the individuals' employment or responsibilities and that each individual to be transferred from Fimat Canada and Calyon Canada will be transferred under the same category. Moreover, it is imperative that the transfer of the Affected Locations and Individuals occur on the same date, in order to ensure that there is no break in registration.

10. The Filers have informed their representatives that, following the amalgamation, the representatives will be employed in the same capacity by Newedge Canada.

11. The Amalgamation will not be contrary to the public interest and will have no negative consequences on the ability of Newedge Canada to comply with all applicable regulatory requirements or the ability to satisfy any obligations to clients of Newedge Canada.

12. Fimat Canada and Calyon Canada, to the best of their knowledge, are not in default of any of the requirements of the Legislation of any of the Jurisdictions.

Decision

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

The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted and the following requirements of the Legislation shall not apply to the Filers in respect of the Affected Locations and Individuals that will be bulk transferred from Fimat Canada and Calyon Canada to Newedge Canada:

a. the requirement to submit a notice regarding the termination of each employment, partner, or agency relationship under section 4.3 of NI 33-109;

b. the requirement to submit a notice regarding each individual who ceases to be a permitted individual under section 5.2 of NI 33-109;

c. the requirement to submit a Form 33-109F4 for each individual applying to become a registered individual under section 2.2 of NI 33-109;

d. the requirement to submit a Form 33-109F4 for each permitted individual under section 3.3 of NI 33-109; and

e. the requirement under section 3.2 of NI 33-109 to notify the regulator of a change to the business location information in Form 33-109F3,

provided that the Filers make acceptable arrangements with CDS INC. for the payment of the costs associated with the Bulk Transfer, and make such arrangement in advance of the Bulk Transfer.

"Mario Albert"
Superintendant Distribution
Autorité des marchés financiers

2.1.6 Canadian Hotel Income Properties Real Estate Investment Trust - -s. 1(10)(b)

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)(b).

January 3, 2008

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario
M5L 1A9

Attention: Shlomi Feiner

Re: Canadian Hotel Income Properties Real Estate Investment Trust (the "Applicant") - application for an order not to be a reporting issuer under the securities legislation of Ontario, Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Quebec and Saskatchewan (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that:

(a) 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;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for relief not to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) 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.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.7 Wega Mining ASA et al. - MRRS Decision

Headnote

Mutual Reliance Review System – Take-over bid – Relief from the prohibition against collateral benefits – Bidder is accelerating the vesting of options and the vesting of performance rights – Bidder paying four key employees change of control payments previously negotiated between target and employees – Bidder amending the employment agreements of four key employees who are also shareholders – Amendments negotiated at arm's length and on commercially reasonable terms – Change of Control payments made and employment agreements entered into for reasons other than to increase the value of the consideration paid to the selling security holder for his securities – Change of Control payments may be made and employment agreements may be amended despite the prohibition against collateral benefits.

Statute Cited

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

December 12, 2007

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

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

AND

IN THE MATTER OF
WEGA MINING ASA (Wega) AND
WEGA MINING INC. (the Offeror)

AND

GOLDBELT RESOURCES LTD. (Goldbelt)

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 Wega and the Offeror (collectively, the Filers) for a decision pursuant to the securities legislation of the Jurisdictions (the Legislation) that, in connection with an offer (the Offer) made by the Offeror to acquire all of the common shares (the Shares) of Goldbelt, including Shares issued upon the exercise of options or pursuant to performance rights, at a price of Cdn.$1.55 cash per Goldbelt Share, the proposed new employment

arrangements described below (the New Employment Agreements) to be entered into with each of Mr. Collin Ellison (Mr. Ellison), Dr. Peter Turner ("Dr. Turner"), Mr. David McNee (Mr. McNee) and Mr. Saidou Ide (Mr. Ide and, together with Messrs. Ellison, Turner and McNee, the Key Employees) may be entered into notwithstanding the provisions of the Legislation that prohibit an offeror who makes or intends to make a take-over bid from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(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 Filers:

1. Wega is a Norwegian-based international mining company; its head office and principal place of business is located in Oslo, Norway. Wega's shares trade on Oslo Axess, a venture exchange regulated by the Oslo Stock Exchange;

2. the Offeror, Wega Mining Inc., is a wholly-owned subsidiary of Wega, incorporated under the *Business Corporations Act* (British Columbia); the Offeror has not otherwise carried on any material business or activity other than entering into the Support Agreement (as defined below) and performing its obligations thereunder;

3. the Offeror's registered and head office is located in Vancouver, British Columbia, Canada;

4. neither Wega nor the Offeror is a reporting issuer or equivalent in any of the Jurisdictions; Goldbelt, incorporated under the *Business Corporations Act* (British Columbia), is a reporting issuer in Alberta, British Columbia and Ontario and its Shares are listed and posted for trading on the Toronto Stock Exchange.

5. on October 17, 2007, Wega, the Offeror and Goldbelt entered into a support agreement (the Support Agreement) which sets forth, among other things, the terms and conditions upon which Wega agreed to make or cause to be made, and Goldbelt agreed to support and recommend that holders of Shares (the Shareholders) accept, the Offer;

6. the Offer was made by way of take-over bid circular (the Circular), prepared in accordance with applicable securities legislation in each of the provinces of Canada, and mailed on November 5, 2007 to Shareholders and to holders of options for Shares (Options) and rights to obtain Shares (Performance Rights) for no consideration upon the earlier of the achievement of certain performance targets and a change of control of Goldbelt;

7. the Offer is open for acceptance until 8:00 pm on December 13, 2007 (the Expiry Time), unless extended or withdrawn by the Offeror; the Offer was made, and will continue to be made, in compliance with the take-over bid requirements of the Legislation and the applicable take-over bid requirements of the other Canadian jurisdictions where registered holders of Shares are located;

8. pursuant to lock-up agreements dated October 17, 2007 (the Lock-Up Agreements) entered into by the Filers with Dundee Precious Metals Inc. (Dundee), Mr. Paul J. Morgan, the Executive Chairman of Goldbelt (Mr. Morgan) and Mr. Ellison, the President and Chief Executive Officer of Goldbelt (collectively, the Locked-Up Shareholders), the Locked-Up Shareholders have agreed to, among other things, tender and not withdraw, subject to certain exceptions, their Shares (including Shares issued upon the exercise of Options or pursuant to Performance Rights) to the Offer;

9. pursuant to the Lock-Up Agreements, the Locked-Up Shareholders are not required to tender their Shares to the Offer in certain circumstances, including if the Support Agreement is terminated in

accordance with its terms in order for Goldbelt to support a "superior proposal";

10. in aggregate, 34,596,894 Shares, including those Shares to be acquired by the Locked-Up Shareholders upon the exercise of Options or pursuant to Performance Rights, are subject to the Lock-Up Agreements, representing approximately 38.7% of the Shares or, excluding Mr. Ellison's Shares, approximately 37.5% of the Shares (calculated on a “fully diluted basis”, after giving effect to the Shares issuable (i) upon the exercise of all outstanding Options, (ii) pursuant to outstanding Performance Rights, (iii) pursuant to the Offeror's subscription under the Support Agreement and (iv) pursuant to other pre-existing obligations of Goldbelt);

11. in the Support Agreement, the parties agreed, among other things, that:

    (a) all Shares issuable pursuant to Performance Rights, regardless of whether the applicable performance targets have or have not been met, will be issued concurrent with the first scheduled Expiry Time such that those Shares may be tendered into the Offer; and

    (b) all holders of Options will be permitted to exercise the Options concurrent with the first scheduled Expiry Time, regardless of whether such Options are currently exercisable or not.

12. based on the information provided by Goldbelt, the Filers understand that none of the Key Employees held any Shares at the time the Offer was made;

13. based on the information provided by Goldbelt, the Filers understand that, at the time the Offer was made:

    (a) Mr. Ellison held Options exercisable for 300,000 Shares and Performance Rights entitling him to obtain 800,000 Shares, representing in the aggregate approximately 1.2% of the Shares on a fully diluted basis; all of Mr. Ellison's Options and 600,000 of his Performance Rights had previously vested;

    (b) Dr. Turner held Performance Rights entitling him to obtain 1,000,000 Shares, representing approximately 1.1% of the Shares on a fully diluted basis; 700,000 of Dr. Turner's Performance Rights had previously vested;

    (c) Mr. McNee held Options exercisable for 500,000 Shares, representing approximately 0.5% of the Shares on a fully diluted basis. None of Mr. McNee's Options had previously vested; and

    (d) Mr. Ide held Options entitling him to 100,000 Shares, representing approximately 0.1% of the Shares on a fully diluted basis; 50,000 of Mr. Ide's Options had previously vested.

14. subsequent to the time the Offer was made, Goldbelt has issued 600,000 Shares to Mr. Ellison and 700,000 Shares to Dr. Turner, pursuant to their respective, vested Performance Rights;

15. the retention of the Key Employees is of critical importance to the Filers; Wega has no development stage or mining stage operations in West Africa and no employees with experience in West Africa similar to the experience of the Key Employees; in addition, there is considerable demand in the mining industry for, and a shortage of supply of, employees with the experience and skills of the Key Employees; as a result, the Filers consider the continued participation of the Key Employees in Goldbelt's business following completion of the Offer to be critical to the continued success of the business;

16. in order to ensure Mr. Ellison's continued participation with Goldbelt's business, it is a condition to the Offer that, at or prior to the Expiry Time, Mr. Ellison shall have entered into a new employment agreement with Goldbelt; in addition, Goldbelt agreed in the Support Agreement to use its best efforts to negotiate new employment agreements with each of the Key Employees in a form and on terms satisfactory to the Offeror, acting reasonably, as soon as reasonably practical; the entering into of any of the New Employment Agreements is not conditional on any Key Employee supporting the Offer in any manner;

17. each of the Key Employees has agreed, in principle, to the key terms of his New Employment Agreement which will become effective on completion of the Offer; the purpose of each New Employment Agreement is to (a) retain the Key Employees following the change of control of Goldbelt; (b) to provide appropriate incentives to the Key Employees to meet certain production targets; and (c) to align their employment terms with the employment terms of employees in comparable positions at Wega or, in the case of Mr. Ellison (for whom there is no equivalent position at Wega), at similarly situated companies in the mining industry;

18. the information in the following paragraphs as to the Key Employees' existing employment arrangements is based on information provided to the Filers by Goldbelt;

19. Mr. Ellison is the President and Chief Executive Officer and a Director of Goldbelt; under the terms of his existing employment arrangement with Goldbelt, Mr. Ellison is entitled to a base salary of $281,250 per annum plus a cost of living allowance and certain other benefits; he is also entitled to participate in any incentive programs of Goldbelt at the discretion of the Board; under his existing employment arrangement, Mr. Ellison was issued 800,000 Performance Rights entitling him to obtain 800,000 Shares (of which 600,000 Performance Rights previously vested upon satisfaction of the applicable performance targets and the remaining 200,000 Performance Rights will vest upon a change of control) and Options exercisable for 300,000 Shares (all of which previously vested);

20. under Mr. Ellison's New Employment Agreement, Mr. Ellison will hold the title of Chief Operating Officer of Wega and will report to the Chief Executive Officer of Wega; under this New Employment Agreement, the total compensation paid to Mr. Ellison for his services will be commensurate with market compensation of similarly situated and experienced employees in the mining industry; the components of this compensation will be as follows:

    (a) Mr. Ellison's annual base salary will be approximately 215,000 Euros plus a gross cost of living allowance of approximately 62,000 Euros per year while on temporary assignment in Europe and other benefits similar to those to which he is currently entitled;

    (b) Mr. Ellison will be entitled to participate in Wega's stock option plan with an initial grant of options to acquire 500,000 shares of Wega with an exercise price equal to the market price thereof at the time of grant; and

    (c) Mr. Ellison will be entitled to cash bonuses that are expected to be payable in 2009, such bonuses to be based on the achievement of certain targets associated with production at the Inata Gold Project during a prescribed period. The aggregate amount of these cash bonuses will not in any event exceed 100% of Mr. Ellison's annual base salary;

21. under his New Employment Agreement, Mr. Ellison's base salary will increase marginally compared to his existing base salary and the nature of his additional compensation will shift from Performance Rights and Options to performance-based cash bonuses and options for shares of Wega; overall, Mr. Ellison's compensation package under the terms of the New Employment Agreement will be substantially the same as his compensation package under his existing employment arrangement (assuming Goldbelt achieves fully the aforementioned production targets at the Inata Gold Project);

22. Mr. Ellison's existing employment agreement terminates in accordance with its terms upon a change of control (unless Mr. Ellison consents in writing to continue his employment thereunder and any successor expressly assumes the agreement); upon such termination, Mr. Ellison is entitled to a lump sum payment in an amount equal to 18 months' of his base salary, as well as any other amounts payable to Mr. Ellison at law, and a cash bonus equal to $697,500 (based on the Offer price) (together, the Ellison Change of Control Payment); if consummated, the Offer will constitute a change of control for the purposes of Mr. Ellison's existing employment agreement, resulting in the termination of such agreement and entitling Mr. Ellison to the

Ellison Change of Control Payment; accordingly, upon completion of the Offer and his New Employment Agreement becoming effective, Mr. Ellison will receive the Ellison Change of Control Payment;

23. Dr. Turner, Mr. McNee and Mr. Ide (collectively, the Other Key Employees), respectively, currently hold the following positions with Goldbelt: Vice-President, Exploration and Business Development; General Manager of Operations of Goldbelt's Inata Gold Project; and Administration Manager at Goldbelt's Ouagadougou office; under his New Employment Agreement, Dr. Turner will be a Vice-President of Wega in charge of business development; each of Mr. McNee and Mr. Ide will hold positions with Wega comparable to those that they currently hold at Goldbelt;

24. none of the Other Key Employees have entered into lock-up agreements with Wega or the Offeror;

25. the annual salary or fee, as applicable, to which each of Dr. Turner and Mr. McNee will be entitled under his New Employment Agreement will be the same as the salary or fee, as applicable, to which he is entitled under his current employment arrangement with Goldbelt on a net basis; Mr Ide's annual salary under his New Employment Agreement will be higher than the salary to which he is entitled under his current employment arrangement with Goldbelt; this increase in Mr. Ide's salary is commensurate with the additional level of responsibility he will undertake as the Inata Gold Project enters its development stage;

26. under their New Employment Agreements, Dr. Turner and Mr. McNee will each be entitled to participate in Wega's stock option plan and will each initially be granted options (with an exercise price equal to the market price thereof at the time of grant) commensurate with the entitlements of similarly situated employees of Wega; the New Employment Agreement with Mr. Ide will not provide for the grant of any options;

27. each of Mr. McNee and Mr. Ide will be entitled under his New Employment Agreement to cash bonuses that are expected to be payable in 2009, such bonuses to be based on the achievement of certain targets associated with production at the Inata Gold Project during a prescribed period; the aggregate cash bonus payable to Mr. McNee will be limited to 100% of his annual fee; the aggregate cash bonus payable to Mr. Ide will be limited to 50% of his annual salary;

28. Dr. Turner will be entitled under his New Employment Agreement to cash bonuses payable based on his performance in identifying acquisitions that are approved by Wega and the successful consummation of those acquisitions;

29. under the terms of the New Employment Agreements, the overall compensation package of each of Dr. Turner and Mr. McNee will be:

    (a) substantially the same as their overall compensation package under their existing employment arrangements (assuming achievement of targets to which their cash bonuses are tied);

    (b) commensurate with market compensation of similarly situated and experienced employees in the mining industry; and

    (c) commensurate with similarly situated employees of Wega;

    the overall compensation package of Mr. Ide will be commensurate with market compensation of similarly situated and experienced employees in the mining industry in West Africa;

30. each of the Other Key Employee's existing employment agreements terminates in accordance with its terms upon a change of control of Goldbelt (unless that Other Key Employee consents in writing to continue his employment thereunder); upon termination, each of the Other Key Employees is entitled to a lump sum payment of an amount equal to 18 months' salary or fee, as applicable (the Other Key Employee Change of Control Payment and, together with the Ellison Change of Control Payment, the Change of Control Payment); if consummated, the Offer will constitute a change of control for purposes of the Other Key Employees' existing employment agreements, resulting in the termination of each such agreement and entitling each Other Key Employee to his Other

Key Employee Change of Control Payment; accordingly, upon completion of the Offer and his New Employment Agreement becoming effective, each of the Other Key Employees will receive an amount equal to his Other Key Employee Change of Control Payment;

31. the New Employment Agreements:

    (a) will be entered into for valid business purposes that are unrelated to the Shares, Options and Performance Rights held by the Key Employees;

    (b) will be entered into for reasons other than to increase the value of the consideration to be paid to the Key Employees for their Shares tendered pursuant to the Offer;

    (c) are not for the purpose, in whole or in part, of increasing the value of the consideration to be paid to the Key Employees for their Shares tendered pursuant to the Offer; and

    (d) are not for the purpose of conferring an economic or collateral benefit on the Key Employees that the other Shareholders do not enjoy;

32. the terms of the New Employment Agreements were negotiated with the Key Employees at arm's length on terms and conditions that the Filers consider to be commercially reasonable in light of:

    (a) the importance to the Filers that the Key Employees provide continuity and continue to grow the Goldbelt business;

    (b) the unique knowledge and experience of the Key Employees;

    (c) the services to be rendered by each Key Employee following completion of the Offer; and

    (d) the employment terms upon which Wega compensates its own employees and upon which other industry participants compensate their employees with similar knowledge, experience and responsibilities;

33. under the terms of the existing employment agreements of each of the Key Employees, in the event of a change of control of Goldbelt, the existing employment agreement is terminated unless the Key Employee has consented to continue his employment thereunder. In the event of such termination, the relevant Change of Control Payment is payable to the Key Employee in one lump sum; no additional requirements need be satisfied prior to the Change of Control payments being paid; as there is considerable demand in the mining industry for, and a shortage of supply of, employees with the experience and skills of the Key Employees, the Filers believe that the Key Employees could quickly find equivalent employment with a third party on substantially the same terms as those being proposed under the New Employment Agreements; accordingly, the Filers believe that it is commercially appropriate that the Change of Control Payments be made in accordance with their terms under the existing employment agreements of the Key Employees;

34. on a fully diluted basis, Mr. Ellison and Dr. Turner respectively will own or exercise control or direction over approximately 1.2% and 1.1% of the Shares and each of Mr. McNee and Mr. Ide will beneficially own or exercise control or direction over less than 1% of the Shares;

35. given the limited ownership interest of the Key Employees, there is no incentive for the Filers to provide them with consideration for their securities which is any way greater than that provided to other security holders of Goldbelt; and

36. the benefits to be conferred on the Key Employees under the New Employment Agreements are not, by their terms, conditional upon the Key Employees tendering their Shares into the Offer or otherwise supporting the Offer in any manner.

Decision

4 Each of the relevant 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 the Filers issue and file on Goldbelt's

SEDAR profile a press release disclosing the information contained in representations 11, 13, 20, 22, 25, 26, 27, 28 and 30 of this decision document before the start of business on the third business day prior to the Expiry Time (as extended by the Offeror, if applicable).

"Martin Eady" CA
Director, Corporate Finance
British Columbia Securities Commission

2.1.8 BMO Nesbitt Burns Inc. - MRRS Decision

Headnote

The relief provides an exemption, pursuant to section 233 of Regulation 1015 made under the Securities Act (Ontario) (the Regulation) from the prohibition in section 227(2)(b)(ii) of the Regulation. The prohibition prevents a registrant, when acting as a portfolio manager with discretionary authority, from providing advice with respect to a client's account to purchase and/or sell the securities of a related issuer or a connected issuer of the registrant, unless the registrant (i) secures the specific and informed written consent of the client once in each twelve month period and (ii) provides the client with its statement of policies.

Statutes Cited

Regulation 1015 made under the Securities Act (Ontario), ss. 227(2)(b)(ii), 233.

January 3, 2008

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, 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
BMO NESBITT BURNS 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 requirements of the Legislation that a registrant shall not act as an adviser of securities of the registrant or of a related issuer of the registrant or, in the course of a distribution, in respect of securities of a connected issuer of the registrant (the **Related / Connected Issuer Prohibition**) unless a statement of policy is provided to the client and the specific and informed written consent of the client to invest in related or connected issuers of the registrant has been obtained once in each twelve month period (the **Annual Consent Requirement**) does not apply in the case of the Filer acting as a portfolio manager where the Filer purchases or sells, under its discretionary authority, securities of mutual funds or of Bank of Montreal (the **Bank**) and its affiliates, that are related or connected

issuers to the Filer, in connection with its managed account programs, subject to certain conditions.

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

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

(b) this MRRS decision document (**Decision**) represents 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 is a corporation incorporated under the laws of Canada and has its head office in the City of Toronto. The Filer is registered as an investment dealer in each province of Canada.

(2) The Filer carries on certain investment management activities on a discretionary basis. The Filer is exempt from registration as an adviser under the Legislation, pursuant to section 3.8 of National Instrument 45-106, as it is an investment dealer.

(3) The Filer offers investment management services to its clients (**Clients**) under various managed accounts programs, including:

(a) accounts that are fully managed by a portfolio manager of the Filer (the **Internal Managed Account Program**); and

(b) accounts that are managed by one or more sub-advisors (**Sub-Advisors**) that have entered into sub-advisory agreements with the Filer, whereby the Filer has given the Sub-Advisors discretionary authority to manage all or a portion of a client's account within the parameters of a specific investment mandate (the **External Managed Account Program** and with the Internal Managed Account Program, the **Managed Account Programs**). Each investment mandate is designed to achieve defined investment objectives while only incurring certain levels of risk.

(4) Clients in each type of Managed Account Program enter into an agreement with the Filer (the **Managed Account Agreement**) that authorizes the Filer to exercise discretion in the Client's account to manage the investments by investing in a variety of securities, which may include mutual or pooled funds. Under the Managed Account Agreement, Clients have the ability to set constraints regarding the securities that may or may not be purchased by the Filer for the Client's account.

(5) The Managed Account Agreement for the External Managed Account Program clients also obligates the Filer to:

(a) identify and retain Sub-Advisors for the mandate(s) of the Client under the External Managed Account Program;

(b) change those Sub-Advisors from time to time in the discretion of the Filer or, in certain instances, upon instructions from the Client; and

(c) monitor and supervise the Sub-Advisors including making changes to the investments where required.

(6) In the External Managed Account Program, the Sub-Advisors are generally parties who are not related to the Filer and its affiliates. However, from time to time, one or more mandates may be granted to a Sub-Advisor who is affiliated to the Filer (an **Affiliated Sub-Adviser**). In the Internal Managed Account Program, the accounts are managed directly by portfolio managers of the Filer.

(7) The Sub-Advisers in the External Managed Account Program do not have any direct contact with the Clients. Each Sub-Adviser is given a mandate by the Filer and requested to provide a model portfolio for such mandate and to adjust the portfolio on a continuous basis. The Filer does not deviate from the model portfolio unless the portfolio is in breach of the laws or the agreement with the Sub-Adviser or unless the deviation results from the Client's specific instructions; the Filer simply executes the trades in securities constituting the model portfolio for each Client in the particular mandate.

(8) The Filer and its affiliates are the managers of the groups of mutual funds known as the BMO Nesbitt Burns Group of Funds, the GGOF Group of Funds and the BMO Mutual Funds and may be the managers of other mutual funds in the future (collectively, the **Funds**). The Funds are or will be reporting issuers as they are or will be qualified for distribution under a prospectus in some or all of the provinces and territories of Canada.

(9) The Funds may be purchased on behalf of clients of the Filer, including Clients in certain of the Managed Account Programs. Clients in the

Managed Account Programs consent to investments in mutual funds (which may include the Funds) through their investment policy statement in which the investment mandates are set out.

(10) The Related/Connected Issuer Prohibition prohibits a registrant, such as the Filer, from acting as an adviser of securities of the registrant, or of a related issuer of the registrant, or in the course of a distribution in respect of securities of a connected issuer of the registrant.

(11) The Annual Consent Requirement and the Statement of Policies Requirement, to the extent applicable, exempts a registrant from the Related/Connected Issuer Prohibition.

(12) The Funds are generally connected issuers of the Filer within the meaning of the Legislation and may be a related issuer of the Filer. The Filer is not required to list its connected issuers in the statement of policies but, as a result of the fact that the Funds may be related issuers, does list the Funds in its statement of policies.

(13) The Filer and the Affiliated Sub-Advisers are wholly owned subsidiaries of the Bank and so the Bank and its affiliates are related issuers to the Affiliated Sub-Advisers and the Filer.

(14) As a result of these relationships, the Sub-Advisers are prohibited from including securities issued by the Bank, its affiliates or the Funds in their model portfolios under the External Managed Account Program and the portfolio managers of the Filer are prohibited from including securities issued by the Bank, its affiliates or the Funds in their Clients' accounts under the Internal Managed Account Program, unless the Filer complies with the Annual Consent Requirement and the Statement of Policies Requirement. Clients thereby may be prevented from investing in securities issued by the Bank, its affiliates or the Funds, even where the inclusion of these securities would be in the best interests of the Client.

(15) All Clients in the Managed Accounts Programs receive a statement of policies that lists the related issuers of the Filer when the Client opens an account with the Filer. In the event of a significant change in its statement of policies, the Filer will provide to each of its Clients a copy of the revised version of, or amendment to, its statement of policies.

(16) The Filer will secure the specific and informed written consent of each Client in its Managed Accounts Programs to invest the Client in securities issued by the Bank, its affiliates and/or the Funds, prior to permitting the Sub-Advisers and the portfolio managers of the Filer to make such investments.

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 the decision has been met.

The decision of the Decision Makers under the Legislation is that the Filer is exempt from the Annual Consent Requirement, provided that:

(a) the Filer has secured the specific and informed written consent of the Client in advance of the exercise of discretionary authority in respect of securities of the Funds, the Bank and its affiliates;

(b) the Filer has previously provided the Client with a statement of policies or equivalent document of the Filer, which identified the relationship between the Filer, the Funds, the Bank and its affiliates;

(c) in the case of the External Managed Account Program, the Filer does not participate in, or influence, the investment recommendations of a Sub-Adviser in making its recommendation; and

(d) in the case of the Internal Managed Account Program, all investment decisions to invest in securities of the Funds, the Bank or its affiliates are uninfluenced by considerations other than the best interest of the Client.

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

"Paul K. Bates"
Commissioner
Ontario Securities Commission

2.1.9 Nexus Investment Management Inc. - MRRS Decision

Headnote

Relief granted from provision that prohibits a portfolio manager from investing in any issuer in which a "responsible person" or an associate of a responsible person is an officer or director unless that fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase. Relief was required because one officer of the applicant has a spouse who is a director of a reporting issuer in which the applicant has invested on behalf of its clients and a U.S. public company in which the applicant may, in the future, wish to invest on behalf of its clients.

Statutes Cited:

Securities Act, R.S.O. 1990, c. S.5, as am., s. 118(2)(a).

December 14, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, ONTARIO, and QUÉBEC
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
NEXUS INVESTMENT MANAGEMENT INC.

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker)** in each of the Jurisdictions has received an application from Nexus Investment Management Inc. (the **Filer**) for a decision, under Subsection 121(2)(a)(ii) of the *Securities Act* (Ontario), Section 192(2)(a) of the *Securities Act* (Alberta), and Section 236 of the Regulations made under the *Securities Act* (Québec) (the **Legislation**), seeking an exemption from the prohibition (the **Prohibition**) contained in the Legislation prohibiting a portfolio manager from knowingly causing an investment portfolio managed by it to invest in any issuer in which a responsible person or an associate of the responsible person is an officer or director (the **Requested Relief**).

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

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

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

Interpretation

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

Representations

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

1. The Filer is incorporated under the laws of Ontario and has its head office in Toronto.

2. The Filer is registered as an adviser in the category of investment counsel and portfolio manager or equivalent in Ontario, British Columbia, Alberta, Québec and New Brunswick. It is also registered as a limited market dealer in Ontario.

3. The Filer provides investment advisory services for various clients and acts as the portfolio manager for three privately offered investment funds.

4. When acting as portfolio manager, investment decisions are made by a decision-making body, currently consisting of four persons (the **Committee**).

5. One officer of the Filer has a spouse who is a director of a reporting issuer in which the Registrant has invested on behalf of its clients and a U.S. public company in which the Registrant may, in the future, wish to invest on behalf of its clients.

6. The Filer will implement and enforce a policy in writing that would require any member of the Committee who is, or whose associate is, an officer or a director of a reporting issuer (or the equivalent):

   (a) to disclose all material relationships with such issuer of such officer or director or any associate of such officer or director, to the registrant when they arise; and

   (b) not to provide advice with respect to the purchase, holding or sale of securities of such issuer or to make or participate in making the decision to purchase, hold or sell such securities and, in particular, not to be present at a meeting of the Committee during any discussion of such issuer (the Non-Participation Policy).

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 until the coming into force of a successor or amendment to the Prohibition in the Legislation, on the condition that:

1. the Filer implements and enforces the Non-Participation Policy; and

2. upon the opening of an account with a new client and annually for all accounts, the Filer discloses the Non-Participation Policy and discloses the names of all issuers to which it applies.

"Lawrence E. Ritchie"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

2.1.10 Spinrite Income Fund - s. 1(10)(b)

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)(b).

January 7, 2008

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Attention: Sabina Furfaro

Dear Ms. Furfaro:

Re: Spinrite Income Fund (the "Applicant") – application for an order not to be a reporting issuer under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador, and New Brunswick (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 not to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

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

- the Applicant is applying for relief not to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

"Erez Blumberger"
Manager, Corporate Finance
Ontario Securities Commission

2.1.11 Northwest Mutual Funds Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – change of the manager of a mutual fund family – new manager is a limited partnership and not an affiliate of the current manager – no material impact to the securityholders – exemption granted from the requirement to obtain prior securityholder approval for a change in the manager.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 5.1(b), 19.1.

December 19, 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,
NORTHWEST TERRITORIES, NUNAVUT AND YUKON
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
NORTHWEST MUTUAL FUNDS INC.
(NMFI)

AND

IN THE MATTER OF
NORTHWEST MONEY MARKET FUND
NORTHWEST CANADIAN EQUITY FUND
NORTHWEST CANADIAN BOND FUND
NORTHWEST CANADIAN DIVIDEND FUND
NORTHWEST GROWTH AND INCOME FUND
NORTHWEST GLOBAL EQUITY FUND
NORTHWEST U.S. EQUITY FUND
NORTHWEST EAFE FUND
NORTHWEST GLOBAL GROWTH AND INCOME FUND
NORTHWEST SPECIALTY HIGH YIELD BOND FUND
NORTHWEST SPECIALTY GLOBAL
HIGH YIELD BOND FUND
NORTHWEST SPECIALTY EQUITY FUND
NORTHWEST SPECIALTY INNOVATIONS FUND
NORTHWEST SPECIALTY GROWTH FUND INC.
NORTHWEST QUADRANT
CONSERVATIVE PORTFOLIO
NORTHWEST QUADRANT GROWTH
AND INCOME PORTFOLIO
NORTHWEST QUADRANT ALL EQUITY PORTFOLIO

NORTHWEST QUADRANT
MONTHLY INCOME PORTFOLIO
NORTHWEST QUADRANT
GLOBAL GROWTH PORTFOLIO
(collectively, the Northwest Mutual 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 NMFI, the manager of the Northwest Mutual Funds, for a decision under the securities legislation of the Jurisdictions (the **Legislation**), exempting NFMI from the requirement in Section 5.1(b) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) such that no approval of the securityholders of the Northwest Mutual Funds is required with respect to a transaction (the **Transaction**) involving the change of manager of the Northwest Mutual Funds from NMFI to a limited partnership (the **JVLP**) 50% owned by the Credit Union Centrals of all provinces of Canada, except Québec and Newfoundland and Labrador (the **Credit Union Centrals**) and 50% owned by the Fédération des caisses Desjardins du Québec (**Desjardins**)(the **Requested Relief**).

Under the Mutual Reliance Review System (**MRRS**) 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 NI 81-102 and 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 NMFI:

1. NMFI is the manager of the Northwest Mutual Funds. NMFI's head office is located in Toronto, Ontario. NMFI is a wholly-owned subsidiary of Northwest Asset Management Inc. (**NAMI**), the portfolio adviser of the Northwest Mutual Funds, which is a wholly-owned subsidiary of Desjardins.

2. The Northwest Mutual Funds currently consist of a family of open-ended mutual fund trusts and corporate open-ended funds, which are offered by simplified prospectus in each Jurisdiction.

3. Ethical Funds Inc. (**EFI**) is the trustee, manager and portfolio manager of the Ethical Mutual Funds. EFI's head office is located in Vancouver, British Columbia. EFI is owned by the Credit Union Centrals.

4. The Ethical Mutual Funds consist of the following groups of funds:

   (a) the Ethical Funds (including the Ethical Advantage Funds, a fund-of-fund product), which are offered by simplified prospectus in each of the Jurisdictions, and the EFI Funds, which are offered by simplified prospectus in British Columbia, Alberta, Manitoba and Ontario;

   (b) the Credential Select Portfolios, which are offered by simplified prospectus in each of the Jurisdictions, except Québec, are asset allocation funds that invest in the Ethical Funds and third party funds; and

   (c) the Credential EnRich Portfolios, which are offered by simplified prospectus in each of the Jurisdictions, except Québec, are pooled funds that offer strategic asset allocations for specific investor profiles.

5. The Credit Union Centrals and Desjardins want the Ethical Mutual Funds and the Northwest Mutual Funds to gain access to each other's distribution channel. The Credit Union Centrals and Desjardins would also like both families of funds to have the same manager, and to allow the securityholders of such funds to be able to switch between funds in both fund families on a cost free basis.

6. To accomplish this objective in a tax efficient manner, the Credit Union Centrals and Desjardins will establish a limited partnership, the JVLP, which will replace EFI and NMFI as the manager of the Ethical Mutual Funds and the Northwest Mutual Funds, respectively.

7. Following the Transaction, JVLP will be owned 50% by the Credit Union Centrals and 50% by Desjardins.

8. It is not expected that there will be any impact from the Transaction on the securityholders of Ethical Mutual Funds and Northwest Mutual Funds because both fund families will generally be managed in the same manner as they are managed today:

   (a) the Ethical Mutual Funds and the Northwest Mutual Funds will each continue to be managed and operated as a separate distinct family of mutual funds and there is currently no intention to merge the two families of mutual funds;

(b) the senior management of the JVLP and its general partner will generally be comprised of the same individuals who are the senior management of EFI, NAMI and NMFI so the Ethical Mutual Funds and Northwest Mutual Funds will continue to be managed by the same senior personnel as they are currently managed today;

(c) the mid–management staff of the JVLP and its general partner will generally be comprised of the same individuals who are the mid–management staff of EFI, NAMI and NMFI, and who currently provide management services to the Ethical Mutual Funds and the Northwest Mutual Funds; and

(d) investment advice to the Ethical Mutual Funds and the Northwest Mutual Funds will generally be given by the same individuals as who are providing such investment advice to the Ethical Mutual Funds and the Northwest Mutual Funds today and there is currently no intention to change the sub-advisors who provide advice to all of the Ethical Mutual Funds and to all of the Northwest Mutual Funds, except those mutual funds that use a fund of fund structure but even in the latter instance, there is currently no intention to make any significant changes to such personnel.

9. The JVLP will also become registered as an adviser in Ontario, and will replace EFI and NAMI as the adviser of the Ethical Mutual Funds and the adviser of the Northwest Mutual Funds, respectively.

10. The Transaction is expected to close on or about December 31, 2007.

11. Notice of the Transaction was mailed to the securityholders of the Ethical Mutual Funds and the securityholders of the Northwest Mutual Funds on or about October 15, 2007, at least 60 days in advance of the closing of the Transaction in accordance with the requirements of Section 5.8 of NI 81-102.

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.

"Leslie Byberg"
Acting Director, Investment Funds Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Deutsche Bank Securities Inc. - s. 38

Headnote

The Applicant will offer to certain of its clients in Ontario (Institutional Clients) the ability to trade in futures contracts that trade on exchanges located outside Canada through the Applicant. The Institutional Clients are the same as "designated institutions" as that term is defined in section 204(1) of Ont. Reg. 1015 – General Regulation made under the Securities Act (Ontario) (OSA).

Relief granted to permit the Applicant to execute trades in exchange-traded futures for its own account as well as those placed by its Institutional Clients in Ontario on a basis that it is exempt from registration, except that the Applicant is, and will continue to be, registered as an international dealer under the OSA.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., s. 38.

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, c. C.20
(the Act)

AND

IN THE MATTER OF
DEUTSCHE BANK SECURITIES INC.

ORDER
(Section 38 of the Act)

UPON the application (the **Application**) of the Deutsche Bank Securities Inc. (the **Applicant**) to the Ontario Securities Commission (the **Commission**), in connection with trades (**Futures Trades**) in commodity futures contracts and options on commodity futures contracts (collectively, **Futures Contracts**) that trade on certain exchanges located outside Canada (**Exchange Traded Futures**) for its own account and by certain of its clients who fall within the category of investors listed in Appendix I to this Order (**Institutional Clients**), for an order pursuant to section 38 of the Act;

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

1. The Applicant is a corporation incorporated under the laws of the state of Delaware. Its head office is located at 60 Wall Street, New York, New York, 10005.

2. The Applicant is a subsidiary of Deutsche Bank AG which is domiciled in Frankfurt, Germany. Deutsche Bank AG was formed by the re-amalgamation of Norddeutsche Bank AG, Deutsche Bank AG West and Süddeutsche Bank AG, which had been founded in 1952 as successor institutions to the former Deutsche Bank. Deutsche Bank AG and its subsidiaries provide a range of investment banking products and services worldwide. In Canada, Deutsche Bank operates through Deutsche Bank AG, Canada branch.

3. The Applicant is a broker-dealer registered with the U.S. Securities and Exchange Commission (**U.S. SEC**), a member of the U.S. National Association of Securities Dealers, Inc. (**U.S. NASD**), a registered futures commission merchant with the U.S. Commodity Futures Trading Commission (**U.S. CFTC**), and a member of the U.S. National Futures Association (**U.S. NFA**).

4. The Applicant is one of 23 firms registered with the Federal Reserve Bank of New York as a primary dealer in U.S. Government securities. It is a market maker for U.S. agency securities and acts as broker for customers buying and selling equity and/or debt securities, and as a broker for futures and options on futures contracts. Its clients include financial institutions, corporations and hedge funds.

5. The Applicant is also a member of the American Stock Exchange, the Boston Stock Exchange, the Chicago Board Options Exchange, the CME Group (includes the Chicago Board of Trade), the Chicago Stock Exchange, the New York Board of Trade (includes FINEX), the New York Mercantile Exchange (includes COMEX), the New York Stock Exchange, the Philadelphia Board of Trade, The Pacific Exchange, Inc. and the Philadelphia Stock Exchange.

6. In Ontario, where a foreign dealer may register as an international dealer, the Applicant has obtained such registration under the *Securities Act* (Ontario).

7. The Applicant proposes to (a) trade in Exchange-Traded Futures for its own account, and (b) offer certain of its Institutional Clients in Ontario the ability to trade in Exchange-Traded Futures through the Applicant.

8. The Applicant will solicit business only from persons in Ontario who qualify as Institutional Clients.

9. Institutional Clients of the Applicant will only be offered the ability to trade Exchange-Traded Futures trading on exchanges located outside Canada (the **Recognised Exchanges**).

10. The Exchange-Traded Futures to be traded by Institutional Clients will include, but will not be limited to, Futures Contracts for equity index,

interest rate, energy, agricultural and other commodity products.

11. Institutional Clients will be able to execute trades in Exchange-Traded Futures through the Applicant by contacting the Applicant's exchange floor staff or global execution desk. Institutional Clients may also be able to self execute trades electronically in Exchange Traded Futures via an independent service vendor and/or other electronic trading routing.

12. The Applicant may execute a client's order on the relevant Recognized Exchange in accordance with the rules and customary practices of the exchange, or engage another broker to assist in the execution of orders. The Applicant will remain responsible for the execution of each such trade.

13. The Applicant may perform both execution and clearing functions for Futures Trades or may direct that a trade executed by it be cleared through a carrying broker if the Applicant is not a member of the Recognized Exchange on which the trade is executed. Alternatively, the client will be able to direct that trades executed by the Applicant be cleared through clearing brokers not affiliated with the Applicant in any way (each a **Non-DBSI Clearing Broker**).

14. If the Applicant performs only the execution of a client's Futures Contract order and "gives-up" the transaction for clearance to a Non-DBSI Clearing Broker, such clearing broker will also be required to comply with the rules of the exchanges of which it is a member and any relevant regulatory requirements, including requirements under the Act as applicable. Each such Non-DBSI Clearing Broker will represent to the Applicant in a give-up agreement that it will perform its obligations in accordance with applicable laws, governmental, regulatory, self-regulatory, exchange and clearing house rules and the customs and usages of the exchange or clearing house on which the relevant client's Futures Contract orders will be executed and cleared. The Applicant will not enter into a give-up agreement with any Non-DBSI Clearing Broker located in the United States unless such clearing broker is registered with the U.S. CFTC and/or U.S. SEC, as applicable.

15. As is customary for all trading in Exchange-Traded Futures, a clearing corporation appointed by the exchange or clearing division of the exchange is substituted as a universal counterparty on all trades in Futures Contracts and client orders are submitted to the exchange in the name of the Non-DBSI Clearing Broker or the Applicant or, on exchanges where the Applicant is not a member, in the name of another carrying broker. The client is responsible to the Applicant for payment of daily mark-to-market variation margin and/or proper margin to carry open positions and the Applicant, the carrying broker or the Non-DBSI Clearing Broker is in turn responsible to the clearing corporation/division for payment.

16. Clients that direct the Applicant to give up transactions in Exchange-Traded Futures for clearance and settlement by Non-DBSI Clearing Brokers will execute the give-up agreements described above.

17. Clients will pay commissions for trades to the Applicant or the Non-DBSI Clearing Broker or such commissions may be shared with the Non-DBSI Clearing Broker.

AND UPON considering the Application and the recommendation of Staff of the Commission;

AND UPON the Commission being satisfied that it would not be prejudicial to the public interest to grant the order requested;

IT IS ORDERED pursuant to section 38 of the Act that the Applicant be exempted from the dealer registration requirements set out in the Act in connection with Exchange-Traded Futures for its own account and by certain of its clients who fall within the category of Institutional Clients, provided that:

(a) at the time trading activity is engaged in:

(i) the Applicant is registered with the U.S. SEC as a broker-dealer and with the U.S. CFTC as a futures commission merchant and is a member of the U.S. NASD and the U.S. NFA in good standing; and

(ii) the Applicant is registered as an international dealer under the *Securities Act* (Ontario); and

(b) each client in Ontario effecting Futures Trades is an Institutional Client and, if using a Non-DBSI Clearing Broker, has represented and covenanted that the broker is or will be appropriately registered or exempt from registration under the Legislation;

(c) the Applicant only executes Futures Trades for Ontario clients on exchanges located outside Canada, unless such Futures Trades are routed through an agent that is a dealer registered in Ontario under the Act; and

(d) each client in Ontario effecting Futures Trades receives disclosure upon entering into the agreement by which it establishes an account with the Applicant that includes:

(i) a statement that there may be difficulty in enforcing any legal rights against the Applicant or any of its directors, officers or employees because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(ii) a statement that the Applicant is not registered under Ontario commodities futures legislation and, accordingly, the protection available to clients of a dealer registered under such commodities futures legislation will not be available to clients of the Applicant.

December 7, 2007

"Lawrence E. Ritchie"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

Appendix 1

INSTITUTIONAL CLIENTS

In this Order, "Institutional Client" means:

a) a financial intermediary;

b) the Federal Business Development Bank;

c) a subsidiary of any company referred to in clause (a) or (b), where the company beneficially owns all of the voting securities of the subsidiary;

d) the Government of Canada or any province or territory of Canada;

e) any municipal corporation or public board or commission in Canada;

f) a mutual fund, other than a private mutual fund, having net assets of at least $5,000,000;

g) a trusteed pension plan or fund sponsored by an employer for the benefit of its employees and having net assets of at least $5,000,000;

h) a registered dealer;

i) a company or person, other than an individual, that is an accredited investor as defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*; and

j) a person or company deemed to be a "designated institution" under subsection 204(2) of Ont. Reg. 1015 – G*eneral Regulation* made under the *Securities Act* (Ontario).

2.2.2 Hollinger Inc. et al.

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

AND

**HOLLINGER INC., CONRAD M. BLACK,
F. DAVID RADLER, JOHN A. BOULTBEE,
AND PETER Y. ATKINSON**

ORDER

WHEREAS on March 18, 2005 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") accompanied by a Statement of Allegations issued by Staff of the Commission ("Staff") with respect to Hollinger Inc. ("Hollinger"), Conrad M. Black ("Black"), F. David Radler ("Radler"), John A. Boultbee ("Boultbee") and Peter Y. Atkinson ("Atkinson") (collectively, the "Respondents");

AND WHEREAS the matter was set down for a hearing to commence on Wednesday, May 18, 2005;

AND WHEREAS the Commission granted a request for adjournment of this proceeding on consent of Staff and the Respondents from Wednesday, May 18, 2005 to Monday, June 27, 2005 in its Order dated May 10, 2005;

AND WHEREAS on June 27, 2005, the Commission granted a further request for adjournment of this proceeding on consent of Staff and the Respondents from Monday, June 27, 2005 to Tuesday, October 11, 2005 in its Order dated June 27, 2005;

AND WHEREAS the Commission held a contested hearing on October 11 and November 16, 2005, to determine the appropriate date for a hearing on the merits of the above matter;

AND WHEREAS on January 24, 2006, the Commission issued its Reasons and Order setting down the matter for a hearing on the merits commencing June 2007, subject to each of the individual respondents agreeing to execute an Undertaking to the Commission to abide by interim terms of a protective nature within 30 days of that Decision;

AND WHEREAS following the Reasons and Order dated January 24, 2006, all the individual respondents provided Undertakings in a form satisfactory to the Commission;

AND WHEREAS on March 30, 2006, the Commission issued an order with attached Undertakings provided by the individual Respondents in a form satisfactory to the Commission, and ordered, among other things, that the hearing on the merits commence on Friday, June 1, 2007 at 9:30 a.m., or as soon thereafter as may be fixed by the Secretary to the Commission and agreed to by the parties;

AND WHEREAS the individual Respondents further provided to the Commission Amended Undertakings stating that each of the respondents agree to abide by interim terms of a protective nature, as set out more fully in the Amended Undertakings, pending the Commission's final decision of liability and sanctions in the proceeding commenced by the Notice of Hearing;

AND WHEREAS on April 4, 2007, the Commission issued an order with attached Amended Undertakings provided by the individual Respondents in a form satisfactory to the Commission, and ordered that the hearing on the merits be scheduled to take place November 12 to December 14, 2007, and January 7 to February 15, 2008;

AND WHEREAS Black and Boultbee brought motions on the basis of certain grounds enumerated in Notices of Motion dated September 5, 2007 and September 6, 2007, respectively, requesting the following relief;

(i) an order adjourning the hearing of this matter, currently scheduled to take place on November 12 to December 14, 2007 and January 7, to February 15, 2008; and

(ii) an order to attend before the Commission on a date convenient in mid-December 2007, following the scheduled sentencing of the respondents Black and Boultbee in the criminal proceedings brought against them in the United States, for the purpose of obtaining further directions regarding the conduct of these proceedings;

AND WHEREAS on September 11, 2007, the Commission granted a request for adjournment of this proceeding on consent of Staff and the Respondents, and issued an order scheduling a hearing for December 11, 2007 for the purpose of addressing the scheduling of this proceeding;

AND WHEREAS Boultbee has requested an adjournment of the hearing on December 11, 2007 to a date in January, 2008, by letter addressed to the Secretary to the Commission dated November 29, 2007, for the purpose of addressing the scheduling of this proceeding;

AND WHEREAS on December 10, 2007, the Commission granted a request for adjournment of this proceeding on consent of Staff and the respondents, and issued an order scheduling a hearing for January 8, 2008 for the purpose of addressing the scheduling of this proceeding;

AND WHEREAS Black has requested an adjournment of the hearing on January 8, 2008 to a date in

late March 2008, by letter addressed to the Secretary to the Commission dated December 19, 2007, for the purpose of addressing the scheduling of this proceeding;

AND WHEREAS the respondents and Staff of the Commission consent to the request for the adjournment of the hearing from January 8, 2008 to March 28, 2008 at 10:00 a.m.;

IT IS ORDERED THAT:

(i) The hearing of this matter, currently scheduled for January 8, 2008, is adjourned; and

(ii) The hearing is scheduled for March 28, 2008 at 10:00 a.m., or such other date as may be agreed to by the parties and fixed by the Secretary to the Commission, for the purpose of addressing the scheduling of this proceeding.

DATED at Toronto this 7th day of January, 2008

"Lawrence E. Ritchie"

"Margot C. Howard"

2.2.3 IG Realty Investments Inc. and the Special Committee to IG Realty Investments Inc. - s. 104(2)(c)

Headnote

Clause 104(2)(c) - private issuer has 85 shareholders - private issuer to engage in acquisition of business from shareholder - term of acquisition that private issuer repurchase a portion of the vendor's shares of private issuer - private issuer shareholders bound by terms of shareholders' agreement - acquisition and repurchase must be approved by shareholders owning 75% of outstanding shares - repurchase will not materially affect control of private issuer -- private issuer exempt from issuer bid requirements, subject to conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95, 96, 97, 98, 100, 104(2)(c).

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

AND

IN THE MATTER OF
IG REALTY INVESTMENTS INC. AND THE
SPECIAL COMMITTEE TO
IG REALTY INVESTMENTS INC.

ORDER
(Subsection 104(2)(c))

UPON the application of the special committee of the board of directors of IG Realty Investments Inc. (the **Applicant**) and IG Realty Investments Inc. (**IGRI**) to the Ontario Securities Commission (the **Commission**) for an order pursuant to clause 104(2)(c) of the Act that the proposed purchase (the **Repurchase**) of 19,669 common shares of IGRI currently registered in the name of Giffels Management Limited (**GML**) by IGRI is exempt from the requirements of sections 95, 96, 97, 98 and 100 of the Act;

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

AND UPON the Applicant and IGRI having represented to the Commission that:

1. The Applicant is the special committee for IGRI, a corporation existing under the *Business Corporations Act* (Ontario) that has its registered, executive and head office in Toronto, Ontario.

2. All of the members of the Applicant are independent of the management of each of IGRI and GML.

3. IGRI is not a reporting issuer in any jurisdiction in Canada and has no securities listed for trading on any exchange.

4. IGRI was originally incorporated and organized by GML for the purpose of, among other things, sourcing, acquiring, developing, leasing, financing, managing, operating and selling various industrial, commercial and residential real estate projects, and investing in undeveloped real property.

5. As of the date hereof, the authorized capital of IGRI consisted of an unlimited number of common shares (the **Common Shares**), each entitled to one vote per share, of which 1,013,686 Common Shares are currently issued and outstanding and one million Class V preference shares, of which none are currently issued and outstanding.

6. Each shareholder of IGRI, either directly or by way of assumption and agreement to be bound, is party to a shareholders' agreement made as of October 22, 2004, as amended (the **Shareholder Agreement**).

7. The Applicant was established to, among other things, evaluate the acquisition of GML's real estate asset, property and development management business (the **GML Business**) to internalize IGRI's management and thereby enhance shareholder value.

8. GML is a corporation existing under the *Business Corporations Act* (Ontario) and has its registered, executive and head office in Toronto, Ontario at the same address as IGRI.

9. GML is in the business of providing real estate asset, property and development management services in the industrial, commercial and residential marketplaces. Pursuant to a management services agreement dated October 17, 2005 (the **Services Agreement**), GML is the exclusive manager of the assets and business of IGRI. Under separate contracts, GML also provides real estate asset, property and development management services to certain entities in which IGRI holds an ownership interest.

10. GML currently holds 93,507 Common Shares representing 9.22% of the total issued and outstanding Common Shares.

11. IGRI has a total of 85 shareholders.

12. IGRI entered into a letter of intent with GML and its parent company Ingenium Group Inc. dated October 15, 2007 (the **LOI**) to, among other things, acquire the GML Business from GML, including GML's management team, management contracts and certain other assets owned and used in the GML Business (the **Acquisition**).

13. The Repurchase is a condition to closing the Acquisition in favour of GML. The Repurchase will be accomplished at a price of $152.53 per Common Share (the **Repurchase Price**).

14. The LOI and Repurchase were negotiated at arm's-length between GML and the Applicant.

15. The Repurchase Price was established in accordance with the past valuation practice of IGRI management and subsequently reviewed and approved by the Applicant and agreed to through arm's-length negotiation between GML and the Applicant in the context of the Acquisition.

16. The Applicant reviewed and approved the Acquisition, Repurchase and Repurchase Price.

17. The Repurchase will be done in accordance with and pursuant to an amendment to the Shareholder Agreement (the **Amendment**) and is otherwise subject to compliance with applicable corporate and securities laws. The Amendment is required to permit repurchases of IGRI shares for cancellation. To be effective, the Amendment must receive approval of shareholders of IGRI (including GML) holding at least 75% of the issued and outstanding Common Shares.

18. The shareholders of IGRI have been given notice of the terms and conditions of the Acquisition and the Repurchase and an opportunity to consent to the Amendment. The Repurchase will not proceed without approval of the Amendment in accordance with the Shareholder Agreement.

19. To date, IGRI has already received consent and approval to the Amendment from shareholders, including GML, holding 55.3% of the issued and outstanding Common Shares.

20. The Repurchase will be funded with cash on hand and IGRI will not require any additional debt to fund the Repurchase.

21. The Repurchase will not materially affect control of IGRI.

22. The Repurchase does not constitute an exempted issuer bid pursuant to section 93(3)(g) of the Act because the number of its shareholders (exclusive of holders in the employment of the issuer or its affiliates) is more than 50.

23. The Repurchase does not constitute an exempted issuer bid pursuant to section 93(3)(d) of the Act because GML is not an employee of IGRI within the conventional meaning of the term.

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

IT IS ORDERED, pursuant to subsection 104(2)(c) of the Act, that the Repurchase is exempt from the requirements of sections 95, 96, 97, 98 and 100 of the Act, provided that the Amendment is approved by shareholders of IGRI holding at least 75% of the issued and outstanding Common Shares.

DATED this 18th day of December, 2007

"Robert L. Shirrif"
Commissioner
Ontario Securities Commission

"David L. Knight"
Commissioner
Ontario Securities Commission

2.2.4 Merax Resource Management Ltd. et al.

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

AND

IN THE MATTER OF
MERAX RESOURCE MANAGEMENT LTD.
carrying on business as
CROWN CAPITAL PARTNERS,
RICHARD MELLON AND ALEX ELIN

ORDER

WHEREAS on November 29, 2006 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing as amended on November 30, 2006 pursuant to s.127 of the *Securities Act*, R.S.O. 1990, c. S.5, to consider whether it is in the public interest to make certain orders against Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon ("Mellon") and Alex Elin ("Elin");

AND WHEREAS on December 6, 2006, Staff and counsel for Mellon and Elin attended a hearing and requested that the matter be adjourned to February 27, 2007 in order to allow counsel for Mellon and Elin to review disclosure and possibly set a hearing date;

AND WHEREAS on February 27, 2007, Staff and counsel for Mellon and Elin attended a hearing and requested that the matter be adjourned to April 16, 2007 in order to have a pre-hearing conference on or before that date;

AND WHEREAS on April 12, 2007, Staff and counsel for Mellon and Elin attended a pre-hearing conference before Commissioner Paul Bates;

AND WHEREAS on April 16, 2007, Staff and counsel for Mellon and Elin requested that this matter be adjourned to April 27, 2007 for the purpose of setting a hearing date;

AND WHEREAS on April 27, 2007, Mellon, Elin and Staff attended a hearing and the panel was advised that Mellon and Elin are now unrepresented and Mellon, Elin and Staff requested that this matter be adjourned to May 4, 2007 for the purpose of setting a hearing date;

AND WHEREAS on May 4, 2007 the Commission ordered the hearing to commence on October 22, 2007;

AND WHEREAS on October 12, 2007, Staff, Mellon and Elin attended a further pre-hearing conference before Commissioner Bates; and following an adjournment request by the Respondent Elin, the Commission adjourned the hearing scheduled for October 22, 2007 to December 12, 2007 to set a new date for a hearing;

AND WHEREAS on December 12, 2007, Staff, Mellon and Elin attended before Commissioner Bates for the purpose of setting a new date for a hearing;

IT IS HEREBY ORDERED, on consent of Staff, Mellon and Elin that all parties attend on May 13, 2008 at 2:30 p.m. to continue the pre-hearing conference;

AND IT IS HEREBY ORDERED, on consent of Staff, Mellon, and Elin that the hearing shall commence on July 14, 2008 at 10:00 a.m. subject to further instructions from the office of the Secretary.

DATED at Toronto this 12th day of December, 2007.

"Paul Bates"

2.2.5 Jefferies Asset Management, LLC - ss. 3.1(1), 80 of the CFA

Section 80 of the Commodity Futures Act (Ontario) – Renewal of previous order (granted January 7, 2005) providing an exemption from the adviser registration requirements of subsection 22(1)(b) of the CFA in respect of acting as an adviser to certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside of Canada, the securities of which are primarily offered outside of Canada, in respect of trades in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada, subject to certain terms and conditions.

Subsection 3.1(1) of the Commodity Futures Act (Ontario) – Assignment by the Commission to the Director of the powers and duties vested in the Commission under subsection 78(1) of the CFA to allow the Director to vary the present order by specifically naming an affiliate as an applicant to the order.

Fees waived as application only required because amendments to or a rule under the CFA that would have a similar effect as section 7.10 of Rule 35-502 – Non Resident Advisers have not yet been adopted.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 3.1(1), 22(1)(b), 78, 80.
Securities Act, R.S.O. 1990, c. S.5, as am. – Rule 35-502 – Non Resident Advisers.

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(the CFA)

AND

IN THE MATTER OF
JEFFERIES ASSET MANAGEMENT, LLC

ORDER
(Section 80 and Subsection 3.1(1) of the CFA)

UPON the application (the **Application**) of Jefferies Asset Management, LLC (**Jefferies**) and certain affiliates of Jefferies that provide notice to the Director as referred to below (each, an **Affiliate**, and together with Jefferies, the **Applicants**) to the Ontario Securities Commission (the **Commission**) for:

(a) an order, pursuant to section 80 of the CFA, renewing the exemption order granted by the Commission on January 7, 2005, that each of the Applicants (including their respective directors, partners, officers, and employees), be exempt, for a period of five years, from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser to certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside of Canada (the **Funds**, as defined below), the securities of which are primarily offered outside of Canada, in respect of trades in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada; and

(b) an assignment by the Commission to each Director, acting individually, pursuant to subsection 3.1(1) of the CFA, of the powers and duties vested in the Commission under subsection 78(1) of the CFA, to vary this Order by specifically naming any Affiliate of Jefferies as an Applicant to this Order in the circumstances described below;

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

AND UPON the Applicants having represented to the Commission that:

1. Each of the Applicants is or will be organized under the laws of a jurisdiction other than Canada or the provinces or territories thereof. In particular, Jefferies is a limited liability company organized under the laws of the State of Delaware in the United States of America.

2. Any Affiliate, whose name does not specifically appear in this Order, who wishes to rely on the exemption granted under this Order must execute and file with the Commission (Attention: Manager, Registrant Regulation) two copies of a notice (the **Notice**, in the form of Part A to the attached Schedule A), applying to the Director to vary this Order to

specifically name the Affiliate as an Applicant to this Order. The Notice must be filed with the Commission at least ten (10) days prior to the date that such Affiliate wishes to begin relying on this Order.

3. If, in the Director's opinion, it would not be prejudicial to the public interest, within ten (10) days after receiving the Notice, the Director will provide the Affiliate with a written acknowledgment and consent (the **Director's Consent**, in the form of Part B to the attached Schedule A). The Director's Consent will allow the Affiliate to rely on the exemption granted in this Order by varying the Order to specifically name the Affiliate as an Applicant to this Order. The Affiliate may not rely on this Order until it has received the Director's Consent.

4. If, after reviewing the Notice, the Director provides a written notice of objection (the **Objection Notice**) to the Affiliate, the Affiliate will not be permitted to rely on the exemption granted under this Order. However, the Affiliate may, by notice in writing sent by registered mail to the Secretary of the Commission within 30 days after receiving the Objection Notice, request and be entitled to a hearing and review of such decision by the Commission.

5. Subsection 78(1) of the CFA provides that the Commission may, on the application of a person or company affected by the decision, make an order revoking or varying a decision of the Commission if, in the Commission's opinion, the order would not be prejudicial to the public interest. Further, subsection 3.1(1) of the CFA provides that a quorum of the Commission may assign any of its powers and duties under the CFA (except powers and duties under section 4 and Part IV) to the Director.

6. None of the Applicants are or will be registered in any capacity under the CFA or the *Securities Act* (Ontario) (the OSA).

7. Jefferies serves as the investment manager and/or investment adviser to, among other mutual funds, non-redeemable investment funds or similar investment vehicles, Jefferies Buckeye Fund, LLC, a Delaware limited liability company (the **Buckeye Onshore Fund**), Jefferies Buckeye Fund (Cayman), Ltd., a Cayman Islands exempted company (the **Buckeye Offshore Fund**), and Buckeye Master Fund, Ltd., a Cayman Islands exempted company (the **Buckeye Master Fund**) (all of the foregoing funds are referred to together as the **Existing Funds**). The Applicants may in the future establish or advise certain other mutual funds, non-redeemable investment funds or similar investment vehicles (together with the Existing Funds, the **Funds**). The Buckeye Onshore Fund, the Buckeye Offshore Fund and the Buckeye Master Fund were formed on February 13, 2006, March 17, 2006 and February 14, 2006, respectively.

8. The Funds may, as a part of their investment program, invest in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside of Canada and primarily cleared through clearing corporations outside of Canada.

9. The Funds advised by the Applicants are and will be established outside of Canada. Securities of the Funds are and will be primarily offered outside of Canada to institutional investors and high net worth individuals. Securities of the Funds will be offered to certain Ontario residents who will be, at the time of their investment, institutional investors or high net worth individuals that qualify as an "accredited investor" under National Instrument 45-106 – *Prospectus and Registration Exemptions* and will be distributed in Ontario in reliance upon an exemption from the prospectus requirements of the OSA and an exemption from the adviser registration requirement of the OSA under section 7.10 of OSC Rule 35-502 – *Non Resident Advisers* (**Rule 35-502**).

10. Paragraph 22(1)(b) of the CFA prohibits a person or company from acting as an adviser unless the person or company is registered as an adviser under the CFA, or is registered as a partner or an officer of a registered adviser and is acting on behalf of a registered adviser. Under the CFA, "adviser" means a person or company engaging in or holding himself, herself or itself out as engaging in the business of advising others as to trading in "contracts", and "contracts" means commodity futures contracts and commodity futures options.

11. By advising the Funds on investing in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada, the Applicants will be providing advice to Ontario investors with respect to commodity futures contracts and commodity futures options and, in the absence of being granted the requested relief, would be required to register as advisers under the CFA.

12. There is presently no rule under the CFA that provides an exemption from the adviser registration requirement in paragraph 22(1)(b) of the CFA for a person or company acting as an adviser in respect of commodity futures options and commodity futures contracts that is similar to the exemption that is provided under section 7.10 of Rule 35-502 from the adviser registration requirement in section 25(1)(c) of the OSA for acting as an adviser (as defined in the OSA) in respect of securities.

13. As would be required under section 7.10 of Rule 35-502, securities of the Funds are, or will be:

(a) primarily offered outside of Canada;

(b) only distributed in Ontario through one or more registrants under the OSA; and

(c) distributed in Ontario in reliance upon an exemption from the prospectus requirements of the OSA.

14. Each of the Applicants, where required, is or will be appropriately registered or licensed or is or will be entitled to rely on appropriate exemptions from such registrations or licences to provide advice to the Funds pursuant to the applicable legislation of its principal jurisdiction. In particular, Jefferies (i) is currently registered with the U.S. Securities and Exchange Commission as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended, (ii) is currently exempt from registration with the U.S. Commodity Futures Trading Commission (**CFTC**) but has applied with the CFTC for registration as a commodity trading advisor, and (iii) is not subject to the rules of the U.S. National Futures Association (**NFA**) but has applied to be a member of the NFA.

15. All of the Funds issue securities which are offered primarily abroad. None of the Funds has any intention of becoming a reporting issuer in Ontario or in any other Canadian jurisdiction.

16. Prior to purchasing any securities in one or more of the Funds, all investors in the Funds who are Ontario residents will receive disclosure that includes:

(a) a statement that there may be difficulty in enforcing any legal rights against the relevant Fund or any of the Applicants (or the individual representatives of the Applicants) advising the relevant Fund, because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(b) a statement that the relevant Applicant advising the relevant Fund is not, or will not be, registered with or licensed by any regulatory authority in Canada, and accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of securities of the relevant Fund.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to section 80 of the CFA that each of the Applicants is exempted from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser in connection with any one or more of the Funds, for a period of five years, provided that at the relevant time that such activities are engaged in:

(a) each Applicant, where required, is registered or licensed, or is entitled to rely on appropriate exemptions from such registrations or licences, to provide advice to the relevant Fund pursuant to the applicable legislation of its principal jurisdiction;

(b) the Funds invest in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada;

(c) securities of the Funds are:

(i) primarily offered outside of Canada,

(ii) only distributed in Ontario through one or more registrants under the OSA; and

(iii) distributed in Ontario in reliance on an exemption from the prospectus requirements of the OSA and upon an exemption from the adviser registration requirement of the OSA under section 7.10 of Rule 35-502;

(d) prior to purchasing any securities in one or more of the Funds, all investors in the Funds who are Ontario residents received disclosure that includes:

(i) a statement that there may be difficulty in enforcing any legal rights against the relevant Fund or any of the Applicants (or the individual representatives of the Applicants) advising the relevant Fund, because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(ii) a statement that the relevant Applicant advising the relevant Fund is not, or will not be, registered with or licensed by any regulatory authority in Canada, and accordingly, the protections available to

clients of a registered adviser under the CFA will not be available to purchasers of securities of the relevant Fund; and

(e) each Applicant either:

(i) is specifically named in this Order; or

(ii) has filed with the Commission the Notice and received the Director's Consent.

AND IT IS FURTHER ORDERED pursuant to subsection 3.1(1) of the CFA that the Commission assigns to each Director, acting individually, the powers and duties vested in the Commission under subsection 78(1) of the CFA, to vary this Order by specifically naming any Affiliate of Jefferies as an Applicant to this Order (as described in paragraphs 2, 3 and 4 above) by providing such Affiliate with the Director's Consent, provided that, the Affiliate may, by notice in writing sent by registered mail to the Secretary of the Commission within 30 days after receiving the Objection Notice, request and be entitled to a hearing and review of such decision by the Commission.

December 28, 2007

"Harold P. Hands"
Commissioner
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

Schedule A

To: Manager, Registrant Regulation
Ontario Securities Commission

From: _____ (the **Affiliate**)

Re: In the Matter of *Jefferies Asset Management, LLC* (the **Named Applicant**)

OSC File No.: 2007/1021

Part A: Notice to the Ontario Securities Commission (the Commission)

The undersigned, being an authorized representative of the Affiliate, hereby represents to the Commission that:

(a) on December ___, 2007, the Commission issued the attached order (the Order), pursuant to section 80 of the Commodity Futures Act (Ontario) (the CFA), that each of the Applicants (as defined in the Order) is exempt from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser in connection with any one or more of the Funds (as defined in the Order), for a period of five years;

(b) the Affiliate, is an affiliate of one of the Named Applicants;

(c) the Affiliate, whose name does not specifically appear in the Order, wishes to rely on the exemption granted under the Order and hereby applies to the Director, under section 78 of the CFA, to vary the Order to specifically name the Affiliate as an Applicant to the Order;

(d) the Affiliate has attached a copy of the Order to this Notice;

(e) the Affiliate confirms the truth and accuracy of all the information set out in the Order;

(f) this Notice has been executed and filed with the Commissioner at least ten (10) days prior to the date on which the Affiliate wishes to begin relying on the Order; and

(g) the Affiliate has not, and will not, rely on the Order until it has received a written acknowledgment and consent from the Director as provided in Part B herein.

Dated this ____ day of _____, 20___.

_____
By: Name:
Title:

Part B: Acknowledgment and Consent by Director

I acknowledge receipt of your Notice, dated _____, 20__, providing the Commission with notice, as described in the Order, that the Affiliate, whose name does not specifically appear in the Order, wishes to rely on the exemption granted under the Order and has applied to have the Order varied to specifically name the Affiliate as an Applicant to the Order.

Based on the representations contained in the Order and in your Notice, I do not consider it prejudicial to the public interest to vary the Order to specifically name the Affiliate as an Applicant to the Order and do hereby so vary the Order.

Dated this ____ day of _____, 20___.

_____
Name:
Title:
Ontario Securities Commission

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Robert Waxman

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

AND

IN THE MATTER OF
ROBERT WAXMAN

HEARING HELD PURSUANT TO SECTION 127 OF THE ACT

SETTLEMENT HEARING RE: ROBERT WAXMAN

HEARING:	Friday, December 21, 2007		
PANEL:	Paul K. Bates	-	Commissioner and Chair of the Panel
	David L. Knight	-	Commissioner
	Suresh Thakrar	-	Commissioner
APPEARANCES:	Karen Manarin Melanie Adams	-	for Staff of the Ontario Securities Commission
	Alan Lenczner Ed Lederman	-	for Robert Waxman

ORAL RULING AND REASONS

The following text has been prepared for the purpose of publication in the Ontario Securities Commission Bulletin and is based on excerpts of the transcript of the hearing. The excerpts have been edited and supplemented and the text has been approved by the Chair of the Panel for the purpose of providing a public record of the decision.

Chair:

[1] This was a hearing under section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, (the "Act") for the Ontario Securities Commission (the "Commission") to consider whether it is in the public interest to approve a proposed Settlement Agreement between Staff of the Commission ("Staff") and the respondent Robert Waxman ("Mr. Waxman").

[2] We have read the written submissions, and heard the oral submissions and we have decided to approve the Settlement Agreement as being in the public interest.

[3] By way of context, during the summer of 1997, Philip Services Corp. ("Philip") commenced a process to identify and calculate potential items to be included in a restructuring charge. In the fall of 1997, Philip issued a prospectus for a public offering, which did not contain any provision with respect to these items.

[4] This proceeding is concerned with the role of Mr. Waxman as a director of Philip and as president of the Metals Group – as we have heard this morning, the largest operating division of Philip. This case involved the failure to ensure that Philip filed financial statements in a prospectus that contained full, true and plain disclosure.

[5] In the Settlement Agreement, Mr. Waxman admits that:

(a) he acted contrary to the public interest by failing to ensure that Philip filed financial statements in the prospectus that contained full, true and plain disclosure of a restructuring charge in the amount of $155.7 million. A significant portion of the restructuring charge included goodwill write-downs relating to a number of acquisitions the Company had concluded over the period 1993 to 1996;

(b) he acted contrary to the public interest by failing to ensure that Philip filed financial statements in the prospectus that contained full, true and plain disclosure of approximately $31 million for holding certificates. The use of holding certificates involved the "sale and repurchase" of metal inventory without a corresponding physical movement of the inventory, which immediately generated cash for Philip;

(c) he acted contrary to the public interest by failing to ensure that Philip filed financial statements in the prospectus that contained full, true and plain disclosure of approximately $29 million of unrecorded liabilities for invoices issued by its supplier, Pechiney, in 1996. The Pechiney invoices were not properly recorded in the Company's financial statements for the year ended December 31, 1996 and for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997. Therefore, these financial statements were misleading and not accurate; and

(d) he acted contrary to the public interest by failing to ensure that Philip filed financial statements in the prospectus that contained full, true and plain disclosure of a financing arrangement between Philip and Commodity Capital Group Metals Inc. ("CCG") in the approximate amount of $30.2 million. The financial statements were misleading and not accurate due to the inappropriate accounting treatment of the sale and repurchase of inventory to CCG.

[6] By entering into the Settlement Agreement, Mr. Waxman has recognized that his conduct was contrary to the public interest. Mr. Waxman has accepted sanctions, which include a prohibition from acting as an officer or director of any reporting issuer, a prohibition from trading in securities, a reprimand, and payment of costs.

[7] The Commission's mandate in upholding the purposes of the Act, as set out in section 1.1 of the Act, is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in the capital markets.

[8] In accordance with paragraphs 2.1(2)(i) and (iii) of the Act, the Commission is guided by certain fundamental principles in pursuing the purposes of the Act, including the "requirements for timely accurate and efficient disclosure of information" and the "requirements for the maintenance of high standards of fitness and business conduct to ensure honest and responsible conduct by market participants".

[9] Disclosure is the cornerstone principle of securities regulation. All persons investing in securities should have equal access to information that may affect their investment decisions. The Act's focus on public disclosure of material facts in order to achieve market integrity would be meaningless without a requirement that such disclosure be accurate and complete and accessible to investors (see *Pacific Coast Coin Exchange of Canada v. Ontario (Securities Commission)*, [1978] 2 S.C.R. 112).

[10] The role of the Commission in exercising its public interest jurisdiction is set out in *Re Mithras Management Ltd*:

> […] the role of this Commission is to protect the public interest by removing from the capital markets -- wholly or partially, permanently or temporarily, as the circumstances may warrant -- those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In so doing we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all. (*Re Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600 at pp. 1610-1611)

[11] In determining whether the sanctions set out in the Settlement Agreement are appropriate, we have also considered the sanctioning factors established in *Re M.C.J.C. Holding and Michael Cowpland* (2002), 25 O.S.C.B. 1133 and *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743, which include:

- the seriousness of the allegations;
- the respondent's experience in the marketplace;
- the level of the respondent's activity in the marketplace;

- whether or not there has been a recognition of the seriousness of the improprieties;
- the restraint of future conduct that is likely to be prejudicial to the public interest (with reference to past conduct);
- whether or not the sanctions imposed may serve to deter not only those involved in the case being considered, but any like-minded people from engaging in similar abuses of the capital markets;
- any mitigating factors;
- the size of any profit from the illegal conduct;
- the reputation and prestige of the respondent; and
- the remorse of the respondent.

[12] Specifically in the matter before us today, we acknowledge that Mr. Waxman has recognized the seriousness of his improprieties.

[13] We consider the agreed director and officer ban to be at the lowest acceptable level; however, we acknowledge two facts:

1. Mr. Waxman has been under a voluntary director and officer ban since March 8, 2006; and
2. We have been advised that Mr. Waxman is currently 52 years of age, and that the agreed director and officer ban imposed is tantamount to a life ban from the capital markets.

[14] In addition, we find that the agreed sanctions fulfill the requirement to deter future similar conduct, which is an important consideration as set out by the Supreme Court of Canada in *Re Cartaway Resources Corp.* (2004), 238 D.L.R. (4th) 193 (S.C.C.).

[15] We recognize that as established in *Re Sohan Singh Koonar et al.* (2002), 25 O.S.C.B. 2691, the role of the Commission Panel in reviewing a settlement agreement is not to substitute its own sanctions for what is proposed in the Settlement Agreement. Rather, the Commission should ensure that the agreed sanctions in the Settlement Agreement are within acceptable parameters.

[16] This is what we as a Panel have done in approving this Settlement Agreement. Considering the respondent's position as stated in the Settlement Agreement, we are of the view that the sanctions set out in the Settlement Agreement are within the acceptable parameters.

[17] As stated, in exercising our jurisdiction, we need to be satisfied that the Settlement Agreement is in the public interest. Therefore, we approve the Settlement Agreement as being in the public interest.

[18] As set out in the Settlement Agreement, Mr. Waxman accepts the sanctions, which include:

- he will be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of twenty years;
- he will be prohibited from trading in securities for a period of ten years;
- he will pay costs to the Commission in the amount of $125,000; and
- he will be reprimanded.

Approved by the Chair of the Panel on January 8, 2008.

"Paul K. Bates"

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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
Intergold Ltd.	08 Jan 08	18 Jan 08		
DoveCorp Enterprises Inc.	09 Jan 08	21 Jan 08		

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Mint Technology Corp.	03 Jan 08	16 Jan 08			
Knightscove Media Corp.	04 Jan 08	17 Jan 08			

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent 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		
Constellation Copper Corporation	15 Nov 07	28 Nov 07	28 Nov 07		
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		
Peace Arch Entertainment Group Inc.	13 Dec 07	24 Dec 07	24 Dec 07		
Luxell Technologies Inc.	07 Dec 07	20 Dec 07	20 Dec 07	09 Jan 08	
TS Telecom Ltd.	06 Dec 07	19 Dec 07	19 Dec 07		

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Chapter 5

Rules and Policies

5.1.1 NI 51-101 *Standards of Disclosure for Oil and Gas Activities*, Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*, Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*, and Companion Policy 51-101CP *Standards Of Disclosure For Oil And Gas Activities*

NOTICE OF MINISTERIAL APPROVAL
OF AMENDMENTS TO
NATIONAL INSTRUMENT 51-101 *STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES*,
FORM 51-101F1, FORM 51-101F2 AND FORM 51-101F3

On December 6, 2007, the Minister of Finance approved amendments to the following rule and forms (the **Instruments**):

- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;
- Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*; and
- Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*.

Previously, materials related to the amendments to the Instruments and amendments to Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities* (the **Companion Policy**) were published in the supplement to the Bulletin on October 12, 2007. The amendments to the Instruments and the Companion Policy came into effect on December 28, 2007.

The Commission is publishing the amendments to the Instruments and Companion Policy in Chapter 5 of this issue of the OSC Bulletin.

January 11, 2008

AMENDMENTS TO NATIONAL INSTRUMENT 51-101
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

1. National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.

2. The Notes are amended by repealing Note 1 and substituting the following:

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument, Form 51-101F1, Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.

3. Part 1 is amended by,

a. in paragraph 1.1(a), striking out "National Instrument 51-102 *Continuous Disclosure Obligations****" and substituting "****NI 51-102****",***

b. after paragraph 1.1(a), adding the following paragraphs:

(a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

(i) historical information concerning *reserves*;

(ii) estimates of the volume or value of *reserves*;

(iii) historical information concerning *resources*;

(iv) estimates of the volume or value of *resources*;

(v) historical *production* amounts;

(vi) *production* estimates; or

(vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

(i) estimates of volume;

(ii) estimates of value;

(iii) areal extent;

(iv) pay thickness;

(v) flow rates; or

(vi) hydrocarbon content;

c. repealing paragraph 1.1(d) and substituting the following:

(d) "*CICA Accounting Guideline 16*" means Accounting Guideline AcG-16 "Oil and gas accounting - full cost" included in the *CICA Handbook*, as amended from time to time; ***,***

d. repealing paragraph 1.1(g),

e. ***in paragraph 1.1(o), striking out "****qualified reserves evaluator or auditor*, has the meaning set out in the *COGE Handbook****" and substituting "****person or company, means a relationship between the *reporting issuer* and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the *reporting issuer****",***

f. ***after paragraph 1.1(r), adding the following paragraph:***

(r.1) "*NI 51-102*" means National Instrument 51-102 *Continuous Disclosure Obligations*;***,***

g. ***in subparagraph 1.1(v)(ii),***

i. ***in clause (C) striking out the "****or****",***

ii. ***in clause (D) striking out the period and substituting a semi-colon, and***

iii. ***after clause (D) adding the following clauses:***

(E) shale oil; or

(F) shale gas;***,***

h. ***in subparagraph 1.1(x)(i), adding "****, resources****" after "****reserves data****", wherever it occurs;***

i. ***in subparagraph 1.1(y)(i), adding "****, resources****" after "****reserves data****", wherever it occurs;***

j. ***after paragraph 1.1(z), adding the following:***

(z.1) "*reserves"* means *proved*, *probable* or *possible reserves*;***,***

k. ***repealing paragraph 1.1(aa) and substituting the following:***

(aa) "*reserves data"* means an estimate of *proved reserves* and *probable reserves* and related *future net revenue*, estimated using *forecast prices and costs;* and***, and***

l. ***in subsection 1.2(2), striking out "****shall apply****" and substituting "****applies****".***

4. ***Part 4 is amended by,***

a. ***in paragraph 4.1(a), striking out "****5****" and substituting "****16****",***

b. ***repealing section 4.2 and substituting the following:***

4.2 Consistency in Dates - The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements must be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

5. ***Part 5 is amended by,***

a. ***repealing section 5.2 and substituting the following:***

5.2 Disclosure of *Reserves* and Other Information - If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

(a) estimates of *reserves* or *future net revenue* must

(i) disclose the *effective date* of the estimate;

(ii) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(iii) have been prepared or audited in accordance with the *COGE Handbook*;

(iv) have been made assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development; and

(v) in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

"Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.";

(b) for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* must have been taken into account;

(c) in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and

(d) the disclosure must be consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that the statement has been supplemented or superseded by a report of a material change[3] filed by the *reporting issuer* with the *securities regulatory authority*.***,***

b. in section 5.3, striking out "be consistent with***" and substituting "***apply***" and adding "***and must relate to the most specific category of *reserves* or *resources* in which the *reserves* or *resources* can be classified***" after "***set out in the *COGE Handbook****",***

c. in section 5.4, adding "the quantities and***" after "***marketable* quantities, reflecting***",***

d. in section 5.6, adding "Market***" after "***Not Fair***",***

e. repealing section 5.9 and substituting the following:

5.9 Disclosure of *Resources*

(1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

(a) the *reporting issuer's* interest in the *resources*;

(b) the location of the *resources*;

(c) the *product types* reasonably expected;

(d) the risks and the level of uncertainty associated with recovery of the *resources*; and

(e) in the case of *unproved property*, if its value is disclosed,

(i) the basis of the calculation of its value; and

[3] "Material change" has the same meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction.*

(ii) whether the value was prepared by an *independent* party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must

(a) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(b) relate to the most specific category of *resources* in which the *resources* can be classified, as set out in the *COGE Handbook,* and must identify what portion of the estimate is attributable to each category; and

(c) be accompanied by the following information:

(i) a definition of the *resources* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) the significant positive and negative factors relevant to the estimate;

(iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or

(B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

"There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

(3) Paragraphs 5.9(1)(d) and (e) and subparagraphs 5.9(2)(c)(iii) and (iv) do not apply if:

(a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.***,***

f. repealing section 5.10 and substituting the following:

5.10 *Analogous Information*

(1) Sections 5.2, 5.3 and 5.9 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

(a) the source and date of the *analogous information*;

(b) whether the source of the *analogous information* was *independent*;

(c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and

(d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities*.

(2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information*, sections 5.2, 5.3 and 5.9 apply to the disclosure of the information.***, and***

g. in section 5.13, repealing paragraph (a).

6. Part 6 is amended by, in subsection 6.1(2),

a. striking out "shall***" and substituting "***must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves data* or other information.***", and***

b. repealing paragraphs (a) and (b).

7. Part 8 is amended by adding the following after section 8.1:

8.2 Exemption for Certain Exchangeable Security Issuers

(1) An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;

(2) For the purposes of subsection (1), the reference to "continuous disclosure documents" in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed in accordance with this *Instrument*.

8. With the exception of subsection 1.2(2), all provisions containing the word "shall***" are amended by striking out "***shall***" and substituting "***must***".***

9. This amendment comes into force December 28, 2007.

AMENDMENTS TO
FORM 51-101F1 *STATEMENT OF RESERVES DATA*
***AND OTHER OIL AND GAS INFORMATION*,**
FORM 51-101F2 *REPORT ON RESERVES DATA BY*
***INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR*, AND**
FORM 51-101F3 *REPORT OF MANAGEMENT AND DIRECTORS*
ON OIL AND GAS DISCLOSURE

1. Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor, and Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure are amended by this Instrument.

2. Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information is amended by,

(a) repealing note 1 to instruction (1) of the General Instructions and substituting the following:

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this *Form 51-101F1* or in *NI 51-101*, *Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.***,***

(b) repealing Item 2.1 and substituting the following:

Item 2.1 *Reserves Data* (*Forecast Prices and Costs*)

1. Breakdown of *Reserves* (Forecast Case) – Disclose, by country and in the aggregate, *reserve*s, *gross* and *net*, estimated using *forecast prices and costs*, for each *product type*, in the following categories:

   (a) *proved developed producing reserves*;

   (b) *proved developed non-producing reserves*;

   (c) *proved undeveloped reserves*;

   (d) *proved reserves* (in total);

   (e) *probable reserves* (in total);

   (f) *proved* plus *probable reserves* (in total); and

   (g) if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:

      (i) *possible reserves* (in total); and

      (ii) *proved* plus *probable* plus *possible* reserves (in total).

2. Net Present Value of *Future Net Revenue* (Forecast Case) – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit value basis (e.g., $/Mcf or $/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

3. Additional Information Concerning *Future Net Revenue* (Forecast Case)

   (a) This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:

(i) *proved reserves* (in total);

(ii) *proved* plus *probable reserves* (in total); and

(iii) if paragraph 1(g) of this Item applies, *proved* plus *probable* plus *possible reserves* (in total).

(b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *forecast prices and costs* and calculated without discount:

(i) revenue;

(ii) royalties;

(iii) *operating costs*;

(iv) *development costs*;

(v) abandonment and reclamation costs;

(vi) *future net revenue* before deducting *future income tax expenses*;

(vii) *future income tax expenses*; and

(viii) *future net revenue* after deducting *future income tax expenses*.

(c) Disclose, by *production group* and on a unit value basis for each production group (e.g., $/Mcf or $/bbl using *net reserves*), the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent.***,***

(c) repealing Item 2.2 and substituting the following:

Item 2.2 Supplemental Disclosure of Reserves Data (Constant Prices and Costs)

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing the components of Item 2.1 in respect of its *proved reserves* or its *proved* and *probable reserves*, using *constant prices and costs* as at the last day of the *reporting issuer's* most recent financial year.***,***

(d) repealing instruction (3) to Part 2 and substituting the following:

(3) ***Constant prices and costs*** *are prices and costs used in an estimate that are:*

(a) the ***reporting issuer's*** *prices and costs as at the* ***effective date*** *of the estimation, held constant throughout the estimated lives of the* ***properties*** *to which the estimate applies;*

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the ***reporting issuer*** *is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).*

For the purpose of paragraph (a), the ***reporting issuer's*** *prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.****,***

(e) in Item 3.1,

i. in the heading, adding "**Supplemental*****" after "*****Constant Prices Used in*****",***

ii. ***at the beginning of the paragraph, striking out "***For***" and substituting "***If supplemental disclosure under Item 2.2 is made, then disclose, for***",***

iii. ***striking out "***disclose***" after "***each product type***", and***

iv. ***at the end of the paragraph, striking out "***2.1***" and substituting "***2.2***" ,***

(f) ***in paragraph 1.(a) of Item 3.2, striking out "***2.2***" and substituting "***2.1***",***

(g) ***in instruction (2) to Part 3, striking out "****defined terms****" and substituting "****term****", and adding "****the defined term****" after "****constant prices and costs**" and***",***

(h) ***in the heading to Part 4, striking out "*****RECONCILIATIONS OF CHANGES IN *RESERVES* AND *FUTURE NET REVENUE*" and substituting "*****RECONCILIATION OF CHANGES IN *RESERVES*",***

(i) ***in paragraph 1.(a) of Item 4.1, striking out "****net****" and substituting "****gross****",***

(j) ***in paragraph 1.(b) of Item 4.1, striking out "****net****" and substituting "****gross****",***

(k) ***in paragraph 1.(c) of Item 4.1, striking out "****net****" and substituting "****gross****",***

(l) ***in paragraph 2.(b) of Item 4.1,***

i. ***at the end of subparagraph (iii), striking out "***and***",***

ii. ***at the end of subparagraph (iv), striking out "***and other products from non-conventional *oil and gas activities****",***

iii. ***adding the following subparagraphs after subparagraph (iv):***

(v) *bitumen;*

(vi) coal bed methane;

(vii) hydrates;

(viii) shale oil; and

(ix) shale gas;**,**

(m) ***in paragraph 2.(c) of Item 4.1,***

i. ***in subparagraph (i), adding "***and improved recovery***",***

ii. ***repealing subparagraph (ii); and***

iii. ***renumbering subparagraphs (iii),(iv), (v), (vi), (vii), and (viii) as (ii), (iii), (iv), (v), (vi), and (vii), respectively,***

(n) ***in instruction (1) to Item 4.1,***

i. ***striking out*** *"may"* ***and substituting*** *"must"****; and***

ii. ***striking out "****either* ***constant prices and costs*** *or****",***

(o) ***adding the following instruction after instruction (3) to Item 4.1:***

(4) ***Reporting issuers*** *must not include infill drilling* ***reserves*** *in the category of technical revisions specified in clause 2(c)(ii).* ***Reserves*** *additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").* **,**

(p) ***repealing Item 4.2,***

(q) repealing the instructions to Part 4,

(r) in paragraph 1.(a) of Item 5.1, striking out "five***" and substituting "***three***", and at the end of the paragraph, striking out "***or***" and substituting "***and***",***

(s) in paragraph 2.(a) of Item 5.1, striking out "five***" and substituting "***three***", and at the end of the paragraph, striking out "***or***" and substituting "***and***",***

(t) in paragraph 1.(a) of Item 5.3,

i. repealing subparagraph (i), and

ii. renumbering subparagraphs (ii) and (iii) as subparagraphs (i) and (ii), respectively,

(u) in subparagraph 1.(b)(i) of Item 5.3, striking out "and using a discount rate of 10 percent***",***

(v) in paragraph 2.(a) of Item 6.3, striking out "3860" ***and substituting "***3861***",***

(w) in the instruction to Item 6.4, striking out of "*and clause 3(b)(v) of Item 2.2****",***

(x) in section 1. of Item 6.8, striking out "*future net revenue****" and substituting "****gross proved reserves* and *gross probable reserves****", and striking out "***Items 2.1 and 2.2***" and substituting "***Item 2.1.***", and***

(y) at the end of the instruction to Item 6.9, adding "*Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.".***

3. Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor is amended, in the prescribed form "Report on Reserves Data" under section 2, by

(a) repealing note 1 and substituting the following:

> [1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F3* or Companion Policy 51-101CP. ***,***

(b) in section 1, striking out "consist of the following:***" and substituting "***are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.***",***

(c) repealing paragraphs 1(a) and (b),

(d) in note 2, striking out "2.2***" and substituting "***2.1***", and***

(e) at the end of section 7, adding the following:

> ***"***However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.***".***

4. Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure is amended, in the prescribed form "Report of Management and Directors on Oil and Gas Disclosure" under section 2, by

(a) repealing note 1 and substituting the following:

> [1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP. ***,***

(b) in the paragraph beginning "Management of [name of reporting issuer]***", striking out "***consist of the following:***" and substituting "***are estimates of proved reserves and probable reserves and related future net

revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.***" ,***

(c) ***after the paragraph beginning "***Management of [name of reporting issuer]***", repealing subparagraphs(a) and (b),***

(d) ***after the paragraph beginning "***The [Reserves Committee of the] board of directors of the Company has"***, in subparagraph (b), striking out "***because of the***" and substituting "***in the event of a***",***

(e) ***after the paragraph beginning "***The [Reserves Committee of the] board of directors has reviewed***", in subparagraph (a), striking out "***the***" after "***securities regulatory authorities of***" and substituting "***Form 51-101F1 containing***",***

(f) ***after the paragraph beginning "***The [Reserves Committee of the] board of directors has reviewed***", in subparagraph (b), adding "***Form 51-101F2 which is***" after "***the filing of***", and***

(g) ***at the end of the paragraph beginning "***Because the reserves data are based on judgements***" adding "***However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.***".***

5. ***Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor, and Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure are amended by striking out "***shall***" and substituting "***must***" wherever it appears.***

6. ***This amendment comes into force December 28, 2007.***

NATIONAL INSTRUMENT 51-101
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

TABLE OF CONTENTS

NATIONAL INSTRUMENT 51-101
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

PART 1 APPLICATION AND TERMINOLOGY[1]

1.1 Definitions[2] – In this *Instrument*:

(a) "*annual information form*" has the same meaning as "AIF" in *NI 51-102*;

(a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

(i) historical information concerning *reserves*;

(ii) estimates of the volume or value of *reserves*;

(iii) historical information concerning *resources*;

(iv) estimates of the volume or value of *resources*;

(v) historical *production* amounts;

(vi) *production* estimates; or

(vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

(i) estimates of volume;

(ii) estimates of value;

(iii) areal extent;

(iv) pay thickness;

(v) flow rates; or

(vi) hydrocarbon content;

(b) "*BOEs*" means barrels of *oil* equivalent;

(c) "*CICA*" means The Canadian Institute of Chartered Accountants;

(d) "*CICA Accounting Guideline 16*" means Accounting Guideline AcG-16 "Oil and gas accounting – full cost" included in the *CICA Handbook*, as amended from time to time;

(e) "*CICA Handbook*" means the Handbook of the *CICA*, as amended from time to time;

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[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument, Form 51-101F1, Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.

[2] A national definition instrument has been adopted as *NI 14-101*. It contains definitions of certain terms used in more than one national or multilateral instrument. *NI 14-101* provides that a term used in a national or multilateral instrument and defined in the statute relating to securities of the applicable *jurisdiction*, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in that statute unless the context otherwise requires. *NI 14-101* also provides that a provision or a reference within a provision of a national or multilateral instrument that specifically refers by name to a jurisdiction other than the local jurisdiction shall not have any effect in the local jurisdiction, unless otherwise stated in that national or multilateral instrument.

(f) "*COGE Handbook*" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

(g) **repealed**;

(h) "*effective date*", in respect of information, means the date as at which, or for the period ended on which, the information is provided;

(i) "*FAS 19*" means United States Financial Accounting Standards Board Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time;

(j) "*forecast prices and costs*" means future prices and costs that are:

(i) generally accepted as being a reasonable outlook of the future;

(ii) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (i);

(k) "*foreign geographic area*" means a geographic area outside North America within one country or including all or portions of a number of countries;

(l) "*Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;

(m) "*Form 51-101F2*" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor;*

(n) "*Form 51-101F3*" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*;

(o) "*independent*", in respect of the relationship between a *reporting issuer* and a person or company, means a relationship between the *reporting issuer* and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the *reporting issuer*;

(p) "*McfGEs*" means thousand cubic feet of *gas* equivalent;

(q) "*NI 14-101*" means National Instrument 14-101 *Definitions*;

(r) **repealed**;

(r.1) "*NI 51-102*" means National Instrument 51-102 *Continuous Disclosure Obligations*;

(s) "*oil and gas activities*"

(i) include:

(A) the search for *crude oil* or *natural gas* in their natural states and original locations;

(B) the acquisition of property rights or *properties* for the purpose of further exploring for or removing *oil* or *gas* from *reservoirs* on those *properties*;

(C) the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural *reservoirs*, and the acquisition, construction, installation and maintenance of *field* gathering and storage systems including lifting the *oil* and *gas* to the surface and gathering, treating, *field* processing and *field* storage; and

(D) the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (A), (B) and (C) undertaken with a view to such extraction; but

(ii) do not include:

(A) transporting, refining or marketing *oil* or *gas*;

(B) activities relating to the extraction of natural resources other than *oil* and *gas* and their by-products; or

(C) the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources;

(t) "*preparation date*", in respect of written disclosure, means the most recent date to which information relating to the period ending on the *effective date* was considered in the preparation of the disclosure;

(u) "*production group*" means one of the following together, in each case, with associated by-products:

(i) light and medium *crude oil* (combined);

(ii) *heavy oil*;

(iii) *associated gas* and *non-associated gas* (combined); and

(iv) *bitumen*, *synthetic oil* or other products from non-conventional *oil and gas activities*.

(v) "*product type*" means one of the following:

(i) in respect of conventional *oil and gas activities*:

(A) light and medium *crude oil* (combined);

(B) *heavy oil*;

(C) *natural gas* excluding *natural gas liquids*; or

(D) *natural gas liquids*; and

(ii) in respect of non-conventional *oil and gas activities*:

(A) *synthetic oil*;

(B) *bitumen*;

(C) coal bed methane;

(D) hydrates;

(E) shale oil; or

(F) shale gas;

(w) "*professional organization*" means a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose professional practice includes *reserves evaluations* or *reserves audits*, that:

(i) admits members primarily on the basis of their educational qualifications;

(ii) requires its members to comply with the professional standards of competence and ethics prescribed by the organization that are relevant to the estimation, *evaluation*, *review* or *audit* of *reserves data*;

(iii) has disciplinary powers, including the power to suspend or expel a member; and

(iv) is either:

(A) given authority or recognition by statute in a Canadian jurisdiction; or

(B) accepted for this purpose by the *securities regulatory authority* or the *regulator*;

(x) "*qualified reserves auditor*" means an individual who:

(i) in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data, resources* and related information; and

(ii) is a member in good standing of a *professional organization*;

(y) "*qualified reserves evaluator*" means an individual who:

(i) in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data, resources* and related information; and

(ii) is a member in good standing of a *professional organization*;

(z) "*qualified reserves evaluator or auditor*" means a *qualified reserves auditor* or a *qualified reserves evaluator*;

(z.1) "*reserves"* means *proved*, *probable* or *possible reserves*;

(aa) "*reserves data"* means an estimate of *proved reserves* and *probable reserves* and related *future net revenue*, estimated using *forecast prices and costs;* and

(bb) "*supporting filing*" means a document filed by a *reporting issuer* with a *securities regulatory authority*.

1.2 *COGE Handbook* Definitions

(1) Terms used in this *Instrument* but not defined in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction*, and defined or interpreted in the *COGE Handbook*, have the meaning or interpretation ascribed to those terms in the *COGE Handbook.*

(2) In the event of a conflict or inconsistency between the definition of a term in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction* and the meaning ascribed to the term in the *COGE Handbook*, the definition in this *Instrument, NI 14-101* or the securities statute in the *jurisdiction*, as the case may be, applies.

1.3 Applies to *Reporting Issuers* Only – This *Instrument* applies only to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities*.

1.4 *Materiality* Standard

(1) This *Instrument* applies only in respect of information that is *material* in respect of a *reporting issuer*.

(2) For the purpose of subsection (1), information is *material* in respect of a *reporting issuer* if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.

PART 2 ANNUAL FILING REQUIREMENTS

2.1 *Reserves Data* and Other *Oil* and *Gas* Information – A *reporting issuer* must, not later than the date on which it is required by *securities legislation* to file audited financial statements for its most recent financial year, file with the *securities regulatory authority* the following:

1. **Statement of *Reserves Data* and Other Information** – a statement of the *reserves data* and other information specified in *Form 51-101F1*, as at the last day of the *reporting issuer's* most recent financial year and for the financial year then ended;

2. **Report of *Independent Qualified Reserves Evaluator or Auditor*** – a report in accordance with *Form 51-101F2* that is:

(a) included in, or filed concurrently with, the document filed under item 1; and

(b) executed by one or more *qualified reserves evaluators or auditors* each of whom is *independent* of the *reporting issuer*, who must in the aggregate have:

(i) *evaluated* or audited at least 75 percent of the *future net revenue* (calculated using a discount rate of 10 percent) attributable to *proved* plus *probable reserves*, as reported in the statement filed or to be filed under item 1; and

(ii) *reviewed* the balance of such *future net revenue*; and

3. **Report of Management and Directors** – a report in accordance with *Form 51-101F3* that

(a) refers to the information filed or to be filed under items 1 and 2;

(b) confirms the responsibility of management of the *reporting issuer* for the content and filing of the statement referred to in item 1 and for the filing of the report referred to in item 2;

(c) confirms the role of the board of directors in connection with the information referred to in paragraph (b);

(d) is contained in, or filed concurrently with, the statement filed under item 1; and

(e) is executed by two senior officers and two directors of the *reporting issuer*.

2.2 News Release to Announce Filing – A *reporting issuer* must, concurrently with filing a statement and reports under section 2.1, disseminate a news release announcing that filing and indicating where a copy of the filed information can be found for viewing by electronic means.

2.3 Inclusion in *Annual Information Form* – The requirements of section 2.1 may be satisfied by including the information specified in section 2.1 in an *annual information form* filed within the time specified in section 2.1.

2.4 *Reservation* in Report of *Qualified Reserves Evaluator or Auditor*

(1) If a *qualified reserves evaluator or auditor* cannot report on *reserves data* without *reservation*, the *reporting issuer* must ensure that the report of the *qualified reserves evaluator or auditor* prepared for the purpose of item 2 of section 2.1 sets out the cause of the *reservation* and the effect, if known to the *qualified reserves evaluator or auditor*, on the *reserves data*.

(2) A report containing a *reservation*, the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 2.1.

PART 3 RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

3.1 Interpretation – A reference to a board of directors in this Part means, for a *reporting issuer* that does not have a board of directors, those individuals whose authority and duties in respect of that *reporting issuer* are similar to those of a board of directors.

3.2 *Reporting Issuer* to Appoint *Independent Qualified Reserves Evaluator or Auditor* – A *reporting issuer* must appoint one or more *qualified reserves evaluators or auditors*, each of whom is *independent* of the *reporting issuer*, to report to the board of directors of the *reporting issuer* on its *reserves data*.

3.3 *Reporting Issuer* to Make Information Available to *Qualified Reserves Evaluator or Auditor* – A *reporting issuer* must make available to the *qualified reserves evaluators or auditors* that it appoints under section 3.2 all information reasonably necessary to enable the *qualified reserves evaluators or auditors* to provide a report that will satisfy the applicable requirements of this *Instrument*.

3.4 Certain Responsibilities of Board of Directors – The board of directors of a *reporting issuer* must

(a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities*, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;

(b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified reserves evaluator or auditor* and management of the *reporting issuer*;

(c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *qualified reserves evaluators or auditors* who report on *reserves data* for the purposes of this *Instrument*;

(d) before approving the filing of *reserves data* and the report of the *qualified reserves evaluators or auditors* thereon referred to in section 2.1, meet with management and each *qualified reserves evaluator or auditor* appointed under section 3.2, to

(i) determine whether any restrictions affect the ability of the *qualified reserves evaluator or auditor* to report on *reserves data* without *reservation*; and

(ii) review the *reserves data* and the report of the *qualified reserves evaluator or auditor* thereon; and

(e) review and approve

(i) the content and filing, under section 2.1, of the statement referred to in item 1 of section 2.1;

(ii) the filing, under section 2.1, of the report referred to in item 2 of section 2.1; and

(iii) the content and filing, under section 2.1, of the report referred to in item 3 of section 2.1.

3.5 *Reserves* Committee

(1) The board of directors of a *reporting issuer* may, subject to subsection (2), delegate the responsibilities set out in section 3.4 to a committee of the board of directors, provided that a majority of the members of the committee

(a) are individuals who are not and have not been, during the preceding 12 months:

(i) an officer or employee of the *reporting issuer* or of an affiliate of the *reporting issuer*;

(ii) a person who beneficially owns 10 percent or more of the outstanding voting securities of the *reporting issuer*; or

(iii) a relative of a person referred to in subparagraph (a)(i) or (ii), residing in the same home as that person; and

(b) are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement.

(3) Despite subsection (1), a board of directors of a *reporting issuer* must not delegate its responsibility under paragraph 3.4(e) to approve the content or the filing of information.

(4) A board of directors that has delegated responsibility to a committee pursuant to subsection (1) must solicit the recommendation of that committee as to whether to approve the content and filing of information for the purpose of paragraph 3.4(e).

3.6 repealed

PART 4 MEASUREMENT

4.1 Accounting Methods – A *reporting issuer* engaged in *oil and gas activities* that discloses financial statements prepared in accordance with *Canadian GAAP* must use

(a) the full cost method of accounting, applying *CICA Accounting Guideline 16*; or

(b) the successful efforts method of accounting, applying *FAS 19*.

4.2 Consistency in Dates – The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements must be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

5.1 Application of Part 5 – This Part applies to disclosure made by or on behalf of a *reporting issuer*

(a) to the public;

(b) in any document filed with a *securities regulatory authority*; or

(c) in other circumstances in which, at the time of making the disclosure, the *reporting issuer* knows, or ought reasonably to know, that the disclosure is or will become available to the public.

5.2 Disclosure of *Reserves* and Other Information – If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

(a) estimates of *reserves* or *future net revenue* must

(i) disclose the *effective date* of the estimate;

(ii) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(iii) have been prepared or audited in accordance with the *COGE Handbook*;

(iv) have been made assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development; and

(v) in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

"Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.";

(b) for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* must have been taken into account;

(c) in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and

(d) the disclosure must be consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that the statement has been supplemented or superseded by a report of a material change[3] filed by the *reporting issuer* with the *securities regulatory authority*.

5.3 *Reserves* and *Resources* Classification – Disclosure of *reserves* or *resources* must apply the *reserves* and *resources* terminology and categories set out in the *COGE Handbook* and must relate to the most specific category of *reserves* or *resources* in which the *reserves* or *resources* can be classified.

5.4 *Oil* and *Gas Reserves* and Sales – Disclosure of *reserves* or of sales of *oil, gas* or associated by-products must be made only in respect of *marketable* quantities, reflecting the quantities and prices for the product in the condition (upgraded or not upgraded, processed or unprocessed) in which it is to be, or was, sold.

[3] "Material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

5.5 ***Natural Gas*** **By-Products –** Disclosure concerning *natural gas* by-products (including *natural gas liquids* and sulphur) must be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

5.6 ***Future Net Revenue*** **Not Fair Market Value –** Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value.

5.7 Consent of *Qualified Reserves Evaluator or Auditor*

(1) A *reporting issuer* must not disclose a report referred to in item 2 of section 2.1 that has been delivered to the board of directors of the *reporting issuer* by a *qualified reserves evaluator or auditor* pursuant to an appointment under section 3.2, or disclose information derived from the report or the identity of the *qualified reserves evaluator or auditor*, without the written consent of that *qualified reserves evaluator or auditor*.

(2) Subsection (1) does not apply to

(a) the filing of that report by a *reporting issuer* under section 2.1;

(b) the use of or reference to that report in another document filed by the *reporting issuer* under section 2.1; or

(c) the identification of the report or of the *qualified reserves evaluator or auditor* in a news release referred to in section 2.2.

5.8 Disclosure of Less Than All *Reserves* – If a *reporting issuer* that has more than one *property* makes written disclosure of any *reserves* attributable to a particular *property*

(a) the disclosure must include a cautionary statement to the effect that

"The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation"; and

(b) the document containing the disclosure of any *reserves* attributable to one *property* must also disclose total *reserves* of the same classification for all *properties* of the *reporting issuer* in the same country (or, if appropriate and not misleading, in the same *foreign geographic area*).

5.9 Disclosure of *Resources*

(1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

(a) the *reporting issuer's* interest in the *resources*;

(b) the location of the *resources*;

(c) the *product types* reasonably expected;

(d) the risks and the level of uncertainty associated with recovery of the *resources*; and

(e) in the case of *unproved property*, if its value is disclosed,

(i) the basis of the calculation of its value; and

(ii) whether the value was prepared by an *independent* party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must

(a) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(b) relate to the most specific category of *resources* in which the *resources* can be classified, as set out in the *COGE Handbook,* and must identify what portion of the estimate is attributable to each category; and

(c) be accompanied by the following information:

(i) a definition of the *resources* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) the significant positive and negative factors relevant to the estimate;

(iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or

(B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

"There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

(3) Paragraphs 5.9(1)(d) and (e) and subparagraphs 5.9(2)(c)(iii) and (iv) do not apply if:

(a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

5.10 ***Analogous Information***

(1) Sections 5.2, 5.3 and 5.9 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

(a) the source and date of the *analogous information*;

(b) whether the source of the *analogous information* was *independent*;

(c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and

(d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities.*

(2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information,* sections 5.2, 5.3 and 5.9 apply to the disclosure of the information.

5.11 **Net Asset Value and Net Asset Value per Share –** Written disclosure of net asset value or net asset value per share must include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

5.12 ***Reserve*** **Replacement –** Written disclosure concerning *reserve* replacement must include an explanation of the method of calculation applied.

5.13 **Netbacks –** Written disclosure of a netback must

(a) **repealed**

(b) reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and

(c) state the method of calculation.

5.14 ***BOEs*** **and** ***McfGEs*** **–** If written disclosure includes information expressed in *BOEs*, *McfGEs* or other units of equivalency between *oil* and *gas*

(a) the information must be presented

(i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (6 *Mcf*:1 *bbl*);

(ii) in the case of *McfGEs*, using *McfGEs* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (1 *bbl*:6 *Mcf*); and

(iii) with the conversion ratio stated;

(b) if the information is also presented using *BOEs* or *McfGEs* derived using a conversion ratio other than a ratio specified in paragraph (a), the disclosure must state that other conversion ratio and explain why it has been chosen;

(c) if the information is presented using a unit of equivalency other than *BOEs* or *McfGEs,* the disclosure must identify the unit, state the conversion ratio used and explain why it has been chosen; and

(d) the disclosure must include a cautionary statement to the effect that:

"BOEs [or '*McfGEs*' or other applicable units of equivalency] may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 *Mcf*: 1 *bbl* [or 'An McfGE conversion ratio of 1 *bbl*: 6 *Mcf*'] is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead".

5.15 **Finding and** ***Development Costs*** **–** If written disclosure is made of finding and *development costs*:

(a) those costs must be calculated using the following two methods, in each case after eliminating the effects of acquisitions and dispositions:

Method 1: $\frac{a+b+c}{x}$

Method 2: $\frac{a+b+d}{y}$

where
- a = *exploration costs* incurred in the most recent financial year
- b = *development costs* incurred in the most recent financial year
- c = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves*
- d = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves* and *probable reserves*
- x = additions to *proved reserves* during the most recent financial year, expressed in *BOEs* or other unit of equivalency
- y = additions to *proved reserves* and *probable reserves* during the most recent financial year, expressed in *BOEs* or other unit of equivalency

(b) the disclosure must include

(i) the results of both methods of calculation under paragraph (a) and a description of those methods;

(ii) if the disclosure also includes a result derived using any other method of calculation, a description of that method and the reason for its use;

(iii) for each result, comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years;

(iv) a cautionary statement to the effect that:

"The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year"; and

(v) the cautionary statement required under paragraph 5.14(d).

PART 6 MATERIAL CHANGE DISCLOSURE

6.1 Material Change[4] from Information Filed under Part 2

(1) This Part applies in respect of a material change that, had it occurred on or before the *effective date* of information included in the statement most recently filed by a *reporting issuer* under item 1 of section 2.1, would have resulted in a significant change in the information contained in the statement.

(2) In addition to any other requirement of *securities legislation* governing disclosure of a material change, disclosure of a material change referred to in subsection (1) must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves data* or other information.

PART 7 OTHER INFORMATION

7.1 Information to be Furnished on Request – A *reporting issuer* must, on the request of the *regulator*, deliver additional information with respect to the content of a document filed under this *Instrument*.

PART 8 EXEMPTIONS

8.1 Authority to Grant Exemption

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

(2) Despite subsection (1), in Ontario only the *regulator* may grant an exemption.

8.2 Exemption for Certain Exchangeable Security Issuers

(1) An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;

(2) For the purposes of subsection (1), the reference to “continuous disclosure documents” in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed in accordance with this *Instrument*.

PART 9 *INSTRUMENT* IN FORCE

9.1 Coming Into Force – This *Instrument* comes into force on September 30, 2003.

9.2 Transition – Despite section 9.1, this *Instrument* does not apply to a *reporting issuer* until the earlier of:

[4] In this Part, "material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

(a) the date by which the *reporting issuer* is required under *securities legislation* to file audited annual financial statements for its financial year that includes or ends on December 31, 2003; and

(b) the first date on which the *reporting issuer* files with the *securities regulatory authority* the statement referred to in item 1 of section 2.1.

FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

TABLE OF CONTENTS

FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

This is the form referred to in item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (*"NI 51-101"*).

GENERAL INSTRUCTIONS

*(1) Terms for which a meaning is given in **NI 51-101** have the same meaning in this **Form 51-101F1***[1].

*(2) Unless otherwise specified in this **Form 51-101F1**, information under item 1 of section 2.1 of **NI 51-101** must be provided as at the last day of the **reporting issuer's** most recent financial year or for its financial year then ended.*

*(3) It is not necessary to include the headings or numbering, or to follow the ordering of Items, in this **Form 51-101F1**. Information may be provided in tables.*

*(4) To the extent that any Item or any component of an Item specified in this **Form 51-101F1** does not apply to a **reporting issuer** and its activities and operations, or is not **material**, no reference need be made to that Item or component. It is not necessary to state that such an Item or component is "not applicable" or "not material". Materiality is discussed in **NI 51-101** and Companion Policy 51-101CP.*

*(5) This **Form 51-101F1** sets out minimum requirements. A **reporting issuer** may provide additional information not required in this **Form 51-101F1** provided that it is not misleading and not inconsistent with the requirements of **NI 51-101**, and provided that material information required to be disclosed is not omitted.*

*(6) A **reporting issuer** may satisfy the requirement of this **Form 51-101F1** for disclosure of information "by country" by instead providing information by **foreign geographic area** in respect of countries outside North America as may be appropriate for meaningful disclosure in the circumstances.*

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this *Form 51-101F1* or in *NI 51-101*, *Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.

PART 1 DATE OF STATEMENT

Item 1.1 Relevant Dates

1. Date the statement.

2. Disclose the *effective date* of the information being provided.

3. Disclose the *preparation date* of the information being provided.

INSTRUCTIONS

*(1) For the purpose of Part 2 of **NI 51-101**, and consistent with the definition of **reserves data** and General Instruction (2) of this **Form 51-101F1**, the **effective date** to be disclosed under section 2 of Item 1.1 is the last day of the **reporting issuer's** most recent financial year. It is the date of the balance sheet for the **reporting issuer's** most recent financial year (for example, "as at December 31, 20xx") and the ending date of the **reporting issuer's** most recent annual statement of income (for example, "for the year ended December 31, 20xx").*

*(2) The same **effective date** applies to **reserves** of each category reported and to related **future net revenue**. References to a change in an item of information, such as changes in **production** or a change in **reserves**, mean changes in respect of that item during the year ended on the **effective date**.*

*(3) The **preparation date**, in respect of written disclosure, means the most recent date to which information relating to the period ending on the **effective date** was considered in the preparation of the disclosure. The **preparation date** is a date subsequent to the **effective date** because it takes time after the end of the financial year to assemble the information for that completed year that is needed to prepare the required disclosure as at the end of the financial year.*

*(4) Because of the interrelationship between certain of the **reporting issuer's reserves data** and other information referred to in this **Form 51-101F1** and certain of the information included in its financial statements, the **reporting issuer** should ensure that its financial auditor and its **qualified reserves evaluators or auditors** are kept apprised of relevant events and transactions, and should facilitate communication between them.*

*(5) If the **reporting issuer** provides information as at a date more recent than the **effective date**, in addition to the information required as at the **effective date**, also disclose the date as at which that additional information is provided. The provision of such additional information does not relieve the **reporting issuer** of the obligation to provide information as at the **effective date**.*

PART 2 DISCLOSURE OF *RESERVES DATA*

***Item 2.1 Reserves Data* (*Forecast Prices and Costs*)**

1. Breakdown of *Reserves* (Forecast Case) – Disclose, by country and in the aggregate, *reserves*, *gross* and *net*, estimated using *forecast prices and costs*, for each *product type*, in the following categories:

   (a) *proved developed producing reserves*;

   (b) *proved developed non-producing reserves*;

   (c) *proved undeveloped reserves*;

   (d) *proved reserves* (in total);

   (e) *probable reserves* (in total);

   (f) *proved* plus *probable reserves* (in total); and

   (g) if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:

      (i) *possible reserves* (in total); and

(ii) *proved* plus *probable* plus *possible reserves* (in total).

2. Net Present Value of *Future Net Revenue* (Forecast Case) – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit value basis (e.g., $/Mcf or $/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

3. Additional Information Concerning *Future Net Revenue* (Forecast Case)

(a) This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:

(i) *proved reserves* (in total);

(ii) *proved* plus *probable reserves* (in total); and

(iii) if paragraph 1(g) of this Item applies, *proved* plus *probable* plus *possible reserves* (in total).

(b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *forecast prices and costs* and calculated without discount:

(i) revenue;

(ii) royalties;

(iii) *operating costs*;

(iv) *development costs*;

(v) abandonment and reclamation costs;

(vi) *future net revenue* before deducting *future income tax expenses*;

(vii) *future income tax expenses*; and

(viii) *future net revenue* after deducting *future income tax expenses.*

(c) Disclose, by *production group* and on a unit value basis for each *production group* (e.g., $/Mcf or $/bbl using *net reserves*), the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent.

Item 2.2 Supplemental Disclosure of *Reserves Data (Constant Prices and Costs)*

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing the components of Item 2.1 in respect of its *proved reserves* or its *proved* and *probable reserves*, using *constant prices and costs* as at the last day of the *reporting issuer's* most recent financial year.

Item 2.3 *Reserves* Disclosure Varies with Accounting

In determining *reserves* to be disclosed:

(a) Consolidated Financial Disclosure – if the *reporting issuer* files consolidated financial statements:

(i) include 100 percent of *reserves* attributable to the parent company and 100 percent of the *reserves* attributable to its consolidated subsidiaries (whether or not wholly-owned); and

(ii) if a significant portion of *reserves* referred to in clause (i) is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of such *reserves* attributable to the minority interest;

(b) Proportionate Consolidation – if the *reporting issuer* files financial statements in which investments are proportionately consolidated, the *reporting issuer's* disclosed *reserves* must include the *reporting issuer's* proportionate share of investees' *oil* and *gas reserves*; and

(c) Equity Accounting – if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *oil* and *gas reserves* in disclosed *reserves* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *oil* and *gas reserves* separately.

Item 2.4 *Future Net Revenue* Disclosure Varies with Accounting

1. Consolidated Financial Disclosure – If the *reporting issuer* files consolidated financial statements, and if a significant portion of the *reporting issuer's* economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the minority interest.

2. Equity Accounting – If the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *future net revenue* in disclosed *future net revenue* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *future net revenue* separately, by country and in the aggregate.

INSTRUCTIONS

*(1) Do not include, in **reserves, oil** or **gas** that is subject to purchase under a long-term supply, purchase or similar agreement. However, if the **reporting issuer** is a party to such an agreement with a government or governmental authority, and participates in the operation of the **properties** in which the **oil** or **gas** is situated or otherwise serves as "producer" of the **reserves** (in contrast to being an independent purchaser, broker, dealer or importer), disclose separately the **reporting issuer's** interest in the **reserves** that are subject to such agreements at the **effective date** and the **net** quantity of **oil** or **gas** received by the **reporting issuer** under the agreement during the year ended on the **effective date**.*

*(2) **Future net revenue** includes the portion attributable to the **reporting issuer's** interest under an agreement referred to in Instruction (1).*

*(3) **Constant prices and costs** are prices and costs used in an estimate that are:*

(a) *the **reporting issuer's** prices and costs as at the **effective date** of the estimation, held constant throughout the estimated lives of the **properties** to which the estimate applies;*

(b) *if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the **reporting issuer** is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).*

*For the purpose of paragraph (a), the **reporting issuer's** prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.*

PART 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used in Supplemental Estimates

If supplemental disclosure under Item 2.2 is made, then disclose, for each *product type*, the benchmark reference prices for the countries or regions in which the *reporting issuer* operates, as at the last day of the *reporting issuer's* most recent financial year, reflected in the *reserves data* disclosed in response to Item 2.2.

Item 3.2 Forecast Prices Used in Estimates

1. For each *product type*, disclose:

(a) the pricing assumptions used in estimating *reserves data* disclosed in response to Item 2.1:

(i) for each of at least the following five financial years; and

(ii) generally, for subsequent periods; and

(b) the *reporting issuer's* weighted average historical prices for the most recent financial year.

2. The disclosure in response to section 1 must include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.

3. If the pricing assumptions specified in response to section 1 were provided by a *qualified reserves evaluator or auditor* who is *independent* of the *reporting issuer*, disclose that fact and identify the *qualified reserves evaluator or auditor*.

INSTRUCTIONS

(1) Benchmark reference prices may be obtained from sources such as public product trading exchanges or prices posted by purchasers.

*(2) The term **"constant prices and costs"** and the defined term **"forecast prices and costs"** include any fixed or presently determinable future prices or costs to which the **reporting issuer** is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended. In effect, such contractually committed prices override benchmark reference prices for the purpose of estimating **reserves data.** To ensure that disclosure under this Part is not misleading, the disclosure should reflect such contractually committed prices.*

*(3) Under subsection 5.7(1) of **NI 51-101**, the **reporting issuer** must obtain the written consent of the **qualified reserves evaluator or auditor** to disclose his or her identity in response to section 3 of this Item.*

PART 4 RECONCILIATION OF CHANGES IN *RESERVES*

Item 4.1 *Reserves* Reconciliation

1. Provide the information specified in section 2 of this Item in respect of the following *reserves* categories:

(a) *gross proved reserves* (in total);

(b) *gross probable reserves* (in total); and

(c) *gross proved* plus *probable reserves* (in total).

2. Disclose changes between the *reserves* estimates made as at the *effective date* and the corresponding estimates ("prior-year estimates") made as at the last day of the preceding financial year of the *reporting issuer*:

(a) by country;

(b) for each of the following:

(i) light and medium *crude oil* (combined);

(ii) *heavy oil*;

(iii) *associated gas* and *non-associated gas* (combined);

(iv) *synthetic oil*;

(v) *bitumen*;

(vi) coal bed methane;

(vii) hydrates;

(viii) shale oil; and

(ix) shale gas;

(c) separately identifying and explaining:

(i) extensions and improved recovery;

(ii) technical revisions;

(iii) discoveries;

(iv) acquisitions;

(v) dispositions;

(vi) economic factors; and

(vii) *production*.

INSTRUCTIONS

(1) The reconciliation required under this Item 4.1 must be provided in respect of ***reserves*** *estimated using* ***forecast prices and costs*****,** *with the price and cost case indicated in the disclosure.*

(2) For the purpose of this Item 4.1, it is sufficient to provide the information in respect of the products specified in paragraph 2(b), excluding ***solution gas****,* ***natural gas liquids*** *and other associated by-products.*

(3) The ***COGE Handbook*** *provides guidance on the preparation of the reconciliation required under this Item 4.1.*

(4) ***Reporting issuers*** *must not include infill drilling* ***reserves*** *in the category of technical revisions specified in clause 2(c)(ii).* ***Reserves*** *additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").*

PART 5 ADDITIONAL INFORMATION RELATING TO *RESERVES DATA*

Item 5.1 *Undeveloped Reserves*

1. For *proved undeveloped reserves*:

(a) disclose for each *product type* the volumes of *proved undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and

(b) discuss generally the basis on which the *reporting issuer* attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.

2. For *probable undeveloped reserves*:

(a) disclose for each *product type* the volumes of *probable undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and

(b) discuss generally the basis on which the *reporting issuer* attributes *probable undeveloped reserves*, its plans (including timing) for developing the *probable undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *probable undeveloped reserves* during the following two years.

Item 5.2 Significant Factors or Uncertainties

1. Identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data.*

2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

INSTRUCTION

Examples of information that could warrant disclosure under this Item 5.2 include unusually high expected ***development costs*** *or* ***operating costs****, the need to build a major pipeline or other major facility before* ***production*** *of* ***reserves*** *can begin, or contractual obligations to* ***produce*** *and sell a significant portion of* ***production*** *at prices substantially below those which could be realized but for those contractual obligations.*

Item 5.3 Future *Development Costs*

1. (a) Provide the information specified in paragraph 1(b) in respect of *development costs* deducted in the estimation of *future net revenue* attributable to each of the following *reserves* categories:

   (i) *proved reserves* (in total) estimated using *forecast prices and costs*; and

   (ii) *proved* plus *probable reserves* (in total) estimated using *forecast prices and costs*.

   (b) Disclose, by country, the amount of *development costs* estimated:

   (i) in total, calculated using no discount; and

   (ii) by year for each of the first five years estimated.

2. Discuss the *reporting issuer's* expectations as to:

   (a) the sources (including internally-generated cash flow, debt or equity financing, farm-outs or similar arrangements) and costs of funding for estimated future *development costs*; and

   (b) the effect of those costs of funding on disclosed *reserves* or *future net revenue.*

3. If the *reporting issuer* expects that the costs of funding referred to in section 2, could make development of a *property* uneconomic for that *reporting issuer*, disclose that expectation and its plans for the *property*.

PART 6 OTHER *OIL* AND *GAS* INFORMATION

Item 6.1 *Oil* and *Gas Properties* and Wells

1. Identify and describe generally the *reporting issuer's* important *properties*, plants, facilities and installations:

   (a) identifying their location (province, territory or state if in Canada or the United States, and country otherwise);

   (b) indicating whether they are located onshore or offshore;

   (c) in respect of *properties* to which *reserves* have been attributed and which are capable of *producing* but which are not *producing*, disclosing how long they have been in that condition and discussing the general proximity of pipelines or other means of transportation; and

   (d) describing any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.

2. State, separately for *oil* wells and *gas* wells, the number of the *reporting issuer's* producing wells and non-producing wells, expressed in terms of both *gross* wells and *net* wells, by location (province, territory or state if in Canada or the United States, and country otherwise).

Item 6.2 *Properties* With No Attributed *Reserves*

1. For *unproved properties* disclose:

   (a) the *gross* area (acres or hectares) in which the *reporting issuer* has an interest;

   (b) the interest of the *reporting issuer* therein expressed in terms of net area (acres or hectares);

   (c) the location, by country; and

   (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.

2. Disclose, by country, the *net* area (acres or hectares) of *unproved property* for which the *reporting issuer* expects its rights to explore, develop and exploit to expire within one year.

Item 6.3 Forward Contracts

1. If the *reporting issuer* is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for *oil* or *gas*, describe generally the agreement, discussing dates or time periods and summaries or ranges of volumes and contracted or reasonably estimated values.

2. Section 1 does not apply to agreements disclosed by the *reporting issuer*

   (a) as financial instruments, in accordance with Section 3861 of the *CICA Handbook*; or

   (b) as contractual obligations or commitments, in accordance with Section 3280 of the *CICA Handbook*.

3. If the *reporting issuer's* transportation obligations or commitments for future physical deliveries of *oil* or *gas* exceed the *reporting issuer's* expected related future *production* from its *proved reserves*, estimated using *forecast prices and costs* and disclosed under Part 2, discuss such excess, giving information about the amount of the excess, dates or time periods, volumes and reasonably estimated value.

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

In respect of abandonment and reclamation costs for surface *leases*, wells, facilities and pipelines, disclose:

(a) how the *reporting issuer* estimates such costs;

(b) the number of *net* wells for which the *reporting issuer* expects to incur such costs;

(c) the total amount of such costs, net of estimated salvage value, expected to be incurred, calculated without discount and using a discount rate of 10 percent;

(d) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that was not deducted as abandonment and reclamation costs in estimating the *future net revenue* disclosed under Part 2; and

(e) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that the *reporting issuer* expects to pay in the next three financial years, in total.

INSTRUCTION

Item 6.4 supplements the information disclosed in response to clause 3(b)(v) of Item 2.1. The response to paragraph (d) of Item 6.4 should enable a reader of this statement and of the ***reporting issuer's*** *financial statements for the financial year ending on the* ***effective date*** *to understand both the* ***reporting issuer's*** *estimated total abandonment and reclamation costs, and what portions of that total are, and are not, reflected in the disclosed* ***reserves data***.

Item 6.5 Tax Horizon

If the *reporting issuer* is not required to pay income taxes for its most recently completed financial year, discuss its estimate of when income taxes may become payable.

Item 6.6 Costs Incurred

1. Disclose each of the following, by country, for the most recent financial year (irrespective of whether such costs were capitalized or charged to expense when incurred):

   (a) *property acquisition costs*, separately for *proved properties* and *unproved properties*;

   (b) *exploration costs*; and

   (c) *development costs*.

2. For the purpose of this Item 6.6, if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, disclose by country the *reporting issuer's* share of investees' (i) *property acquisition costs*, (ii) *exploration costs* and (iii) *development costs* incurred in the most recent financial year.

Item 6.7 Exploration and Development Activities

1. Disclose, by country and separately for *exploratory wells* and *development wells*:

   (a) the number of *gross* wells and *net* wells completed in the *reporting issuer's* most recent financial year; and

   (b) for each category of wells for which information is disclosed under paragraph (a), the number completed as *oil* wells, *gas* wells and *service wells* and the number that were dry holes.

2. Describe generally the *reporting issuer's* most important current and likely exploration and development activities, by country.

Item 6.8 *Production* Estimates

1. Disclose, by country, for each *product type*, the volume of *production* estimated for the first year reflected in the estimates of *gross proved reserves* and *gross probable reserves* disclosed under Item 2.1.

2. If one *field* accounts for 20 percent or more of the estimated *production* disclosed under section 1, identify that *field* and disclose the volume of *production* estimated for the *field* for that year.

Item 6.9 *Production* History

1. To the extent not previously disclosed in financial statements filed by the *reporting issuer,* disclose, for each quarter of its most recent financial year, by country for each *product type*:

   (a) the *reporting issuer's* share of average daily *production* volume, before deduction of royalties; and

   (b) as an average per unit of volume (for example, $/*bbl* or $/*Mcf*):

      (i) the prices received;

      (ii) royalties paid;

      (iii) *production costs*; and

      (iv) the resulting netback.

2. For each important *field*, and in total, disclose the *reporting issuer's production* volumes for the most recent financial year, for each *product type*.

INSTRUCTION

*In providing information for each **product type** for the purpose of Item 6.9, it is not necessary to allocate among multiple **product types** attributable to a single well, **reservoir** or other **reserves** entity. It is sufficient to provide the information in respect of the principal **product type** attributable to the well, **reservoir** or other **reserves** entity. Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.*

FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.[6]

2. The report on *reserves data* referred to in item 2 of section 2.1 of *NI 51-101*, to be executed by one or more *qualified reserves evaluators or auditors independent* of the *reporting issuer*, must in all material respects be as follows:

Report on Reserves Data

To the board of directors of [name of reporting issuer] (the "Company"):

1. We have [audited] [evaluated] [and reviewed] the Company's reserves data as at [last day of the reporting issuer's most recently completed financial year]. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our [audit] [evaluation] [and review].

   We carried out our [audit] [evaluation] [and review] in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company [audited] [evaluated] [and reviewed] by us for the year ended xxx xx, 20xx, and identifies the respective portions thereof that we have [audited] [evaluated] [and reviewed] and reported on to the Company's [management/board of directors]:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of [Audit/ Evaluation/ Review] Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxxx	$xxx	$xxx	$xxx	$xxx
Evaluator B	xxx xx, 20xx	xxxx	xxx	xxx	xxx	xxx
Totals			$xxx	$xxx	$xxx	$xxx[7]

[6] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F3* or Companion Policy 51-101CP.

[7] This amount should be the amount disclosed by the *reporting issuer* in its statement of *reserves data* filed under item 1 of section 2.1 of *NI 51-101*, as its *future net revenue* (before deducting *future income tax expenses*) attributable to *proved* plus *probable reserves*, estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent (required by section 2 of Item 2.1 of *Form 51-101F1*).

5. In our opinion, the reserves data respectively [audited] [evaluated] by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

Evaluator A, City, Province or State / Country, Execution Date

[signed]

Evaluator B, City, Province or State / Country, Execution Date

[signed]

FORM 51-101F3
REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.[1]

2. The report referred to in item 3 of section 2.1 of *NI 51-101* must in all material respects be as follows:

Report of Management and Directors
on Reserves Data and Other Information

Management of [name of reporting issuer] (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.

[An] independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [has / have] [audited] [evaluated] [and reviewed] the Company's reserves data. The report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];

(b) met with the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to determine whether any restrictions affected the ability of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to report without reservation [and, in the event of a proposal to change the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]], to inquire whether there had been disputes between the previous independent [qualified reserves evaluator[s] or qualified reserves auditor[s] and management]; and

(c) reviewed the reserves data with management and the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]].

The [Reserves Committee of the] board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

_____
[signature, name and title of chief executive officer]

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP.

[signature, name and title of a senior officer other than the chief executive officer]

[signature, name of a director]

[signature, name of a director]

[Date]

COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES

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COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES

This Companion Policy sets out the views of the Canadian Securities Administrators (*CSA*) as to the interpretation and application of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (*NI 51-101*) and related forms.

NI 51-101[1] supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

The requirements under *NI 51-101* for the filing with *securities regulatory authorities* of information relating to *oil and gas activities* are designed in part to assist the public and analysts in making investment decisions and recommendations.

The *CSA* encourage registrants[2] and other persons and companies that wish to make use of information concerning *oil and gas activities* of a *reporting issuer*, including *reserves data*, to review the information filed on *SEDAR* under *NI 51-101* by the *reporting issuer* and, if they are summarizing or referring to this information, to use the applicable terminology consistent with *NI 51-101* and the *COGE Handbook*.

PART 1 APPLICATION AND TERMINOLOGY

1.1 Definitions

(1) **General** - Several terms relating to *oil and gas activities* are defined in section 1.1 of *NI 51-101*. If a term is not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction*, it will have the meaning or interpretation given to it in the *COGE Handbook* if it is defined or interpreted there, pursuant to section 1.2 of *NI 51-101*.

For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* (the NI 51-101 Glossary) sets out the meaning of terms, including those defined in *NI 51-101* and several terms which are derived from the *COGE Handbook*.

(2) ***Forecast Prices and Costs*** - The term *forecast prices and costs* is defined in paragraph 1.1(j) of *NI 51-101* and discussed in the *COGE Handbook*. Except to the extent that the *reporting issuer* is legally bound by fixed or presently determinable future prices or costs[3], *forecast prices and costs* are future prices and costs "generally accepted as being a reasonable outlook of the future".

The *CSA* do not consider that future prices or costs would satisfy this requirement if they fall outside the range of forecasts of comparable prices or costs used, as at the same date, for the same future period, by major *independent qualified reserves evaluators or auditors* or by other reputable sources appropriate to the evaluation.

(3) ***Independent -*** The term *independent* is defined in paragraph 1.1(o) of *NI 51-101*. Applying this definition, the following are examples of circumstances in which the CSA would consider that a *qualified reserves evaluator or auditor* (or other expert) is not *independent*. We consider a *qualified reserves evaluator or auditor* is not *independent* when the *qualified reserves evaluator or auditor*:

(a) is an employee, insider, or director of the *reporting issuer*;

(b) is an employee, insider, or director of a related party of the *reporting issuer*;

(c) is a partner of any person or company in paragraph (a) or (b);

(d) holds or expects to hold securities, either directly or indirectly, of the *reporting issuer* or a related party of the *reporting issuer*;

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1 For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or *Form 51-101F3*, or in this Companion Policy (other than terms italicized in titles of documents that are printed entirely in italics).

2 "Registrant" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

3 Refer to the discussion of financial instruments in subsection 2.7(5) below.

(e) holds or expects to hold securities, either directly or indirectly, in another *reporting issuer* that has a direct or indirect interest in the property that is the subject of the technical report or an adjacent property;

(f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or

(g) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the *reporting issuer* or a related party of the *reporting issuer*.

For the purpose of paragraph (d) above, "related party of the *reporting issuer*" means an affiliate, associate, subsidiary, or control person of the *reporting issuer* as those terms are defined under securities legislation.

There may be instances in which it would be reasonable to consider that the independence of a *qualified reserves evaluator or auditor* would not be compromised even though the *qualified reserves evaluator or auditor* holds an interest in the *reporting issuer's* securities. The *reporting issuer* needs to determine whether a reasonable person would consider such interest would interfere with the *qualified reserves evaluator's or auditor*'s judgement regarding the preparation of the technical report.

There may be circumstances in which the *securities regulatory authorities* question the objectivity of the *qualified reserves evaluator or auditor*. In order to ensure the requirement for independence of the *qualified reserves evaluator or auditor* has been preserved, the *reporting issuer* may be asked to provide further information, additional disclosure or the opinion of another *qualified reserves evaluator or auditor* to address concerns about possible bias or partiality on the part of the *qualified reserves evaluator or auditor*.

(4) ***Product Type*s Arising From *Oil* Sands and Other Non-Conventional Activities** - The definition of *product type* in paragraph 1.1(v) includes products arising from non-conventional *oil and gas activities*. *NI 51-101* therefore applies not only to conventional *oil and gas activities*, but also to non-conventional activities such as the extraction of *bitumen* from *oil* sands with a view to the *production* of *synthetic oil*, the in situ *production* of *bitumen*, the extraction of methane from coal beds and the extraction of shale gas, shale oil and hydrates.

Although *NI 51-101* and *Form 51-101F1* make few specific references to non-conventional *oil and gas activities*, the requirements of *NI 51-101* for the preparation and disclosure of *reserves data* and for the disclosure of *resources* apply to *oil* and *gas reserves* and *resources* relating to *oil* sands, shale, coal or other non-conventional sources of hydrocarbons. The *CSA* encourage *reporting issuers* that are engaged in non-conventional *oil and gas activities* to supplement the disclosure prescribed in *NI 51-101* and *Form 51-101F1* with information specific to those activities that can assist investors and others in understanding the business and results of the *reporting issuer*.

(5) ***Professional Organization***

(a) **Recognized *Professional Organizations***

For the purposes of the *Instrument*, a *qualified reserves evaluator or auditor* must also be a member in good standing with a self-regulatory *professional organization* of engineers, geologists, geoscientists or other professionals.

The definition of "*professional organization*" (in paragraph 1.1(w) of *NI 51-101* and in the NI 51-101 Glossary) has four elements, three of which deal with the basis on which the organization accepts members and its powers and requirements for continuing membership. The fourth element requires either authority or recognition given to the organization by a statute in Canada, or acceptance of the organization by the *securities regulatory authority* or *regulator*.

As at August 1, 2007, each of the following organizations in Canada is a *professional organization*:

- Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
- Association of Professional Engineers and Geoscientists of the Province of British Columbia (APEGBC)
- Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)
- Association of Professional Engineers and Geoscientists of Manitoba (APEGM)
- Association of Professional Geoscientists of Ontario (APGO)
- Professional Engineers of Ontario (PEO)
- Ordre des ingénieurs du Québec (OIQ)

- Ordre des Géologues du Québec (OGQ)
- Association of Professional Engineers of Prince Edward Island (APEPEI)
- Association of Professional Engineers and Geoscientists of New Brunswick (APEGNB)
- Association of Professional Engineers of Nova Scotia (APENS)
- Association of Professional Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)
- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

(b) **Other *Professional Organizations***

The *CSA* are willing to consider whether particular foreign professional bodies should be accepted as "*professional organizations*" for the purposes of *NI 51-101*. A *reporting issuer*, foreign professional body or other interested person can apply to have a self-regulatory organization that satisfies the first three elements of the definition of "*professional organization*" accepted for the purposes of *NI 51-101*.

In considering any such application for acceptance, the *securities regulatory authority* or *regulator* is likely to take into account the degree to which a foreign professional body's authority or recognition, admission criteria, standards and disciplinary powers and practices are similar to, or differ from, those of organizations listed above.

The list of foreign *professional organization*s is updated periodically in *CSA* Staff Notice 51-309 *Acceptance of Certain Foreign Professional Boards as a "Professional Organization"*. As at August 1, 2007, each of the following foreign organizations has been recognized as a *professional organization* for the purposes of *NI 51-101*:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration for Professional Engineers and Land Surveyors
- Texas Board of Professional Engineers
- American Association of Petroleum Geologists (AAPG) but only in respect of Certified Petroleum Geologists who are members of the AAPG's Division of Professional Affairs
- American Institute of Professional Geologists (AIPG), in respect of the AIPG's Certified Professional Geologists
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows

(c) **No *Professional Organization***

A *reporting issuer* or other person may apply for an exemption under Part 8 of *NI 51-101* to enable a *reporting issuer* to appoint, in satisfaction of its obligation under section 3.2 of *NI 51-101*, an individual who is not a member of a *professional organization*, but who has other satisfactory qualifications and experience. Such an application might refer to a particular individual or generally to members and employees of a particular foreign *reserves evaluation* firm. In considering any such application, the *securities regulatory authority* or *regulator* is likely to take into account the individual's professional education and experience or, in the case of an application relating to a firm, to the education and experience of the firm's members and employees, evidence concerning the opinion of a *qualified reserves evaluator or auditor* as to the quality of past work of the individual or firm, and any prior relief granted or denied in respect of the same individual or firm.

(d) **Renewal Applications Unnecessary**

A successful applicant would likely have to make an application contemplated in this subsection 1.1(5) only once, and not renew it annually.

(6) ***Qualified Reserves Evaluator or Auditor*** - The definitions of *qualified reserves evaluator* and *qualified reserves auditor* are set out in paragraphs 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the NI 51-101 Glossary.

The defined terms "*qualified reserves evaluator*" and "*qualified reserves auditor*" have a number of elements. A *qualified reserves evaluator* or *qualified reserves auditor* must

- possess professional qualifications and experience appropriate for the tasks contemplated in the *Instrument*, and

- be a member in good standing of a *professional organization*.

Reporting issuers should satisfy themselves that any person they appoint to perform the tasks of a *qualified reserves evaluator or auditor* for the purpose of the *Instrument* satisfies each of the elements of the appropriate definition.

In addition to having the relevant professional qualifications, a *qualified reserves evaluator or auditor* must also have sufficient practical experience relevant to the *reserves data* to be reported on. In assessing the adequacy of practical experience, reference should be made to section 3 of volume 1 of the *COGE Handbook* - "Qualifications of Evaluators and Auditors, Enforcement and Discipline".

1.2 *COGE Handbook*

Pursuant to section 1.2 of *NI 51-101*, definitions and interpretations in the *COGE Handbook* apply for the purposes of *NI 51-101* if they are not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction* (except to the extent of any conflict or inconsistency with *NI 51-101*, *NI 14-101* or the securities statute).

Section 1.1 of *NI 51-101* and the NI 51-101 Glossary set out definitions and interpretations, many of which are derived from the *COGE Handbook*. *Reserves* and *resources* definitions and categories developed by the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (CIM) are incorporated in the *COGE Handbook* and also set out, in part, in the NI 51-101 Glossary.

Subparagraph 5.2(a)(iii) of *NI 51-101* requires that all estimates of *reserves* or *future net revenue* have been prepared or audited in accordance with the *COGE Handbook*. Under sections 5.2, 5.3 and 5.9 of *NI 51-101*, all types of public *oil* and *gas* disclosure, including disclosure of *reserves* and *resources* must be consistent with the *COGE Handbook*.

1.3 Applies to *Reporting Issuers* Only

NI 51-101 applies to *reporting issuers* engaged in *oil and gas activities*. The definition of *oil and gas activities* is broad. For example, a *reporting issuer* with no *reserves*, but a few *prospects*, unproved *properties* or *resources*, could still be engaged in *oil and gas activities* because such activities include exploration and development of unproved *properties*.

NI 51-101 will also apply to an issuer that is not yet a *reporting issuer* if it files a prospectus or other disclosure document that incorporates prospectus requirements. Pursuant to the long-form prospectus requirements, the issuer must disclose the information contained in *Form 51-101F1*, as well as the reports set out in *Form 51-101F2* and *Form 51-101F3*.

1.4 Materiality Standard

Section 1.4 of *NI 51-101* states that *NI 51-101* applies only in respect of information that is material.

NI 51-101 does not require disclosure or filing of information that is not material. If information is not required to be disclosed because it is not material, it is unnecessary to disclose that fact.

Materiality for the purposes of *NI 51-101* is a matter of judgement to be made in light of the circumstances, taking into account both qualitative and quantitative factors, assessed in respect of the *reporting issuer* as a whole.

This concept of *materiality* is consistent with the concept of *materiality* applied in connection with financial reporting pursuant to the *CICA Handbook*.

The reference in subsection 1.4(2) of *NI 51-101* to a "reasonable investor" denotes an objective test: would a notional investor, broadly representative of investors generally and guided by reason, be likely to be influenced, in making an investment decision to buy, sell or hold a security of a *reporting issuer*, by an item of information or an aggregate of items of information? If so, then that item of information, or aggregate of items, is "material" in respect of that *reporting issuer*. An item that is immaterial alone may be material in the context of other information, or may be necessary to give context to other information. For example, a large number of small interests in *oil* and *gas properties* may be material in aggregate to a *reporting issuer*. Alternatively, a small interest in an *oil* and *gas property* may be material to a *reporting issuer*, depending on the size of the *reporting issuer* and its particular circumstances.

PART 2 ANNUAL FILING REQUIREMENTS

2.1 Annual Filings on *SEDAR*

The information required under section 2.1 of *NI 51-101* must be filed electronically on *SEDAR*. Consult National Instrument 13-101 System for Electronic Document Analysis and Retrieval (*SEDAR*) and the current *CSA* "*SEDAR* Filer Manual" for information about filing documents electronically. The information required to be filed under item 1 of section 2.1 of *NI 51-101* is usually derived from a much longer and more detailed *oil* and *gas* report prepared by a *qualified reserves evaluator.* These long and detailed reports cannot be filed electronically on SEDAR. The filing of an oil and gas report, or a summary of an oil and gas report, does not satisfy the requirements of the annual filing under *NI 51-101*.

2.2 Inapplicable or Immaterial Information

Section 2.1 of *NI 51-101* does not require the filing of any information, even if specified in *NI 51-101* or in a form referred to in *NI 51-101*, if that information is inapplicable or not material in respect of the *reporting issuer*. See section 1.4 of this Companion Policy for a discussion of *materiality*.

If an item of prescribed information is not disclosed because it is inapplicable or immaterial, it is unnecessary to state that fact or to make reference to the disclosure requirement.

2.3 Use of Forms

Section 2.1 of *NI 51-101* requires the annual filing of information set out in *Form 51-101F1* and reports in accordance with *Form 51-101F2* and *Form 51-101F3*. Appendix 1 to this Companion Policy provides an example of how certain of the *reserves data* might be presented. While the format presented in Appendix 1 in respect of *reserves data* is not mandatory, we encourage issuers to use this format.

The information specified in all three forms, or any two of the forms, can be combined in a single document. A *reporting issuer* may wish to include statements indicating the relationship between documents or parts of one document. For example, the *reporting issuer* may wish to accompany the report of the *independent qualified reserves evaluator or auditor* (*Form 51-101F2*) with a reference to the *reporting issuer's* disclosure of the *reserves data* (*Form 51-101F1*), and vice versa.

The report of management and directors in *Form 51-101F3* may be combined with management's report on financial statements, if any, in respect of the same financial year.

2.4 *Annual Information Form*

Section 2.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 2.1 of *NI 51-101* by presenting the information required under section 2.1 in an *annual information form*.

(1) **Meaning of "*Annual Information Form*" -** *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *Continuous Disclosure Obligations*. Therefore, as set out in that definition, an *annual information form* can be a completed Form 51-102F2 *Annual Information Form* or, in the case of an *SEC* issuer (as defined in NI 51-102), a completed Form 51-102F2 or an annual report or transition report under the *1934 Act* on Form 10-K, Form 10-KSB or Form 20-F.

(2) **Option to Set Out Information in *Annual Information Form* -** Form 51-102F2 *Annual Information Form* requires the information required by section 2.1 of *NI 51-101* to be included in the *annual information form*. That information may be included either by setting out the text of the information in the *annual information form* or by incorporating it, by reference from separately filed documents. The option offered by section 2.3 of *NI 51-101* enables a *reporting issuer* to satisfy its obligations under section 2.1 of *NI 51-101*, as well as its obligations in respect of *annual information form* disclosure, by setting out the information required under section 2.1 only once, in the *annual information form*. If the *annual information form* is on Form 10-K, this can be accomplished by including the information in a supplement (often referred to as a "wrapper") to the Form 10-K.

A *reporting issuer* that elects to set out in full in its *annual information form* the information required by section 2.1 of *NI 51-101* need not also file that information again for the purpose of section 2.1 in one or more separate documents. A *reporting issuer* that elects to follow this approach should file its *annual information form* in accordance with usual requirements of *securities legislation*, and at the same time file on *SEDAR*, in the category for *NI 51-101 oil* and *gas* disclosure, a notification that the information required under section 2.1

of *NI 51-101* is included in the *reporting issuer's* filed *annual information form*. More specifically, the notification should be filed under *SEDAR* Filing Type: "Oil and Gas Annual Disclosure (NI 51-101)" and Filing Subtype/Document Type: "Oil and Gas Annual Disclosure Filing (Forms 51-101F1, F2 & F3)". Alternatively, the notification could be a copy of the news release mandated by section 2.2 of NI 51-101. If this is the case, the news release should be filed under *SEDAR* Filing Type: "Oil and Gas Annual Disclosure (NI 51-101)" and Filing Subtype/Document Type: "News Release (section 2.2 of NI 51-101)".

This notification will assist other SEDAR users in finding that information. It is not necessary to make a duplicate filing of the *annual information form* itself under the SEDAR *NI 51-101 oil and gas* disclosure category.

2.5 *Reporting Issuer* That Has No *Reserves*

The requirement to make annual *NI 51-101* filings is not limited to only those issuers that have *reserves* and related *future net revenue*. *A reporting issuer* with no *reserves* but with *prospects*, unproved *properties* or *resources* may be engaged in *oil and gas activities* (see section 1.3 above) and therefore subject to NI 51-101. That means the issuer must still make annual *NI 51-101* filings and ensure that it complies with other *NI 51-101* requirements. The following is guidance on the preparation of *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* and other *oil* and *gas* disclosure if the *reporting issuer* has no *reserves*.

(1) ***Form 51-101F1* -** Section 1.4 of *NI 51-101* states that the *Instrument* applies only in respect of information that is material in respect of a *reporting issuer*. If indeed the *reporting issuer* has no *reserves*, we would consider that fact alone material. The *reporting issuer's* disclosure, under Part 2 of *Form 51-101F1*, should make clear that it has no *reserves* and hence no related *future net revenue*.

Supporting information regarding *reserves data* required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the issuer had disclosed *reserves* and related *future net revenue* in the previous year, and has no *reserves* as at the end of its current financial year, the *reporting issuer* is still required to present a reconcilation to the prior-year's estimates of *reserves*, as required by Part 4 of *Form 51-101F1*.

The *reporting issuer* is also required to disclose information required under Part 6 of *Form 51-101F1*. Those requirements apply irrespective of the quantum of *reserves*, if any. This would include information about *properties* (items 6.1 and 6.2), costs (item 6.6), and exploration and development activities (item 6.7). The disclosure should make clear that the issuer had no *production*, as that fact would be material.

(2) ***Form 51-101F2* -** *NI 51-101* requires *reporting issuers* to retain an *independent qualified reserves evaluator or auditor* to evaluate or audit the company's *reserves data* and report to the board of directors. If the *reporting issuer* had no *reserves* during the year and hence did not retain an evaluator or auditor, then it would not need to retain one just to file a (nil) report of the *independent* evaluators on the *reserves data* in the form of *Form 51-101F2* and the *reporting issuer* would therefore not be required to file a *Form 51-101F2*. If, however, the issuer did retain an evaluator or auditor to evaluate *reserves*, and the evaluator or auditor concluded that they could not be so categorized, or reclassified those *reserves* to *resources*, the issuer would have to file a report of the *qualified reserves evaluator* because the evaluator has, in fact, evaluated the *reserves* and expressed an opinion.

(3) ***Form 51-101F3* -** Irrespective of whether the *reporting issuer* has *reserves*, the requirement to file a report of management and directors in the form of *Form 51-101F3* applies.

(4) **Other *NI 51-101* Requirements -** *NI 51-101* does not require *reporting issuers* to disclose *anticipated results* from their *resources*. However, if a *reporting issuer* chooses to disclose that type of information, section 5.9 of *NI 51-101* applies to that disclosure.

2.6 *Reservation* in Report of *Independent Qualified Reserves Evaluator or Auditor*

A report of an *independent qualified reserves evaluator or auditor* on *reserves data* will not satisfy the requirements of item 2 of section 2.1 of *NI 51-101* if the report contains a *reservation*, the cause of which can be removed by the *reporting issuer* (subsection 2.4(2) of *NI 51-101*).

The *CSA* do not generally consider time and cost considerations to be causes of a *reservation* that cannot be removed by the *reporting issuer*.

A report containing a *reservation* may be acceptable if the *reservation* is caused by a limitation in the scope of the *evaluation* or audit resulting from an event that clearly limits the availability of necessary records and which is beyond the control of the *reporting issuer*. This could be the case if, for example, necessary records have been inadvertently destroyed and cannot be recreated or if necessary records are in a country at war and access is not practicable.

One potential source of *reservations*, which the *CSA* consider can and should be addressed in a different way, could be reliance by a *qualified reserves evaluator or auditor* on information derived or obtained from a *reporting issuer's independent* financial auditors or reflecting their report. The *CSA* recommend that *qualified reserves evaluators or auditors* follow the procedures and guidance set out in both sections 4 and 12 of volume 1 of the *COGE Handbook* in respect of dealings with *independent* financial auditors. In so doing, the *CSA* expect that the quality of *reserves data* can be enhanced and a potential source of *reservations* can be eliminated.

2.7 Disclosure in *Form 51-101F1*

(1) **Royalty Interest in *Reserves*** - *Net reserves* (or "company *net reserves*") of a *reporting issuer* include its royalty interest in *reserves*.

If a *reporting issuer* cannot obtain the information it requires to enable it to include a royalty interest in *reserves* in its disclosure of *net reserves*, it should, proximate to its disclosure of *net reserves*, disclose that fact and its corresponding royalty interest share of *oil* and *gas production* for the year ended on the *effective date*.

Form 51-101F1 requires that certain *reserves data* be provided on both a "*gross*" and "*net*" basis, the latter being adjusted for both royalty entitlements and royalty obligations. However, if a royalty is granted by a trust's subsidiary to the trust, this would not affect the computation of "*net reserves*". The typical *oil* and *gas* income trust structure involves the grant of a royalty by an operating subsidiary of the trust to the trust itself, the royalty being the source of the distributions to trust investors. In this case, the royalty is wholly within the combined or consolidated trust entity (the trust and its operating subsidiary). This is not the type of external entitlement or obligation for which adjustment is made in determining, for example, "*net reserves*". Viewing the trust and its consolidated entities together, the relevant *reserves* and other *oil* and *gas* information is that of the operating subsidiary without deduction of the internal royalty to the trust.

(2) **Government Restriction on Disclosure** - If, because of a restriction imposed by a government or governmental authority having jurisdiction over a *property*, a *reporting issuer* excludes *reserves* information from its *reserves data* disclosed under *NI 51-101*, the disclosure should include a statement that identifies the *property* or country for which the information is excluded and explains the exclusion.

(3) **Computation of *Future Net Revenue***

(a) Tax

Form 51-101F1 requires *future net revenue* to be estimated and disclosed both before and after deduction of income taxes. However, a *reporting issuer* may not be subject to income taxes because of its royalty or income trust structure. In this instance, the issuer should use the tax rate that most appropriately reflects the income tax it reasonably expects to pay on the *future net revenue*. If the issuer is not subject to income tax because of its royalty trust structure, then the most appropriate income tax rate would be zero. In this case, the issuer could present the estimates of *future net revenue* in only one column and explain, in a note to the table, why the estimates of before-tax and after-tax *future net revenue* are the same.

Also, tax pools should be taken into account when computing *future net revenue* after income taxes. The definition of "future income tax expense" is set out in the NI 51-101 Glossary. Essentially, *future income tax expenses* represent estimated cash income taxes payable on the *reporting issuer's* future pre-tax cash flows. These cash income taxes payable should be computed by applying the appropriate year-end statutory tax rates, taking into account future tax rates already legislated, to future pre-tax *net* cash flows reduced by appropriate deductions of estimated unclaimed costs and losses carried forward for tax purposes and relating to *oil and gas activities* (i.e., tax pools). Such tax pools may include Canadian *oil* and *gas property* expense (COGPE), Canadian development expense (CDE), Canadian exploration expense (CEE), undepreciated capital cost (UCC) and unused prior year's tax losses. (Issuers should be aware of limitations on the use of certain tax pools resulting from acquisitions of *properties* in situations where provisions of the Income Tax Act concerning successor corporations apply.)

(b) Other Fiscal Regimes

Other fiscal regimes, such as those involving *production* sharing contracts, should be adequately explained with appropriate allocations made to various classes of proved *reserves* and to *probable reserves*.

(4) **Supplemental Disclosure of *Future Net Revenue* Using *Constant prices and costs*** - Form 51-101 F1 gives *reporting issuers* the option of disclosing *future net revenue* using *constant prices and costs* in addition to disclosing *future net revenue* using *forecast prices and costs*. *Constant prices and costs* are based on the *reporting issuer's* prices and costs as at the *reporting issuer's* financial year-end. In general, these prices and costs are assumed not to change, but rather to remain constant, throughout the life of a *property*, except to the extent of certain fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).

(5) **Financial Instruments** - The definition of "*forecast prices and costs*" in paragraph 1.1(j) of *NI 51-101* and the term "*constant prices and costs*" as defined in the NI 51-101 Glossary refer to fixed or presently determinable future prices to which a *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product. The phrase "contractual or other obligation to supply a physical product" excludes arrangements under which the *reporting issuer* can satisfy its obligations in cash and would therefore exclude an arrangement that would be a "financial instrument" as defined in Section 3855 of the *CICA Handbook*. The *CICA Handbook* discusses when a *reporting issuer's* obligation would be considered a financial instrument and sets out the requirements for presentation and disclosure of these financial instruments (including so-called financial hedges) in the *reporting issuer's* financial statements.

(6) ***Reserves* Reconciliation**

(a) If the *reporting issuer* reports *reserves*, but had no *reserves* at the start of the reconciliation period, a reconciliation of *reserves* must be carried out if any *reserves* added during the previous year are material. Such a reconciliation will have an opening balance of zero.

(b) The reserves reconciliation is prepared on a *gross reserves*, not *net reserves*, basis. For some *reporting issuers* with significant royalty interests, such as royalty trusts, the *net reserves* may exceed the *gross reserves*. In order to provide adequate disclosure given the distinctive nature of its business, the *reporting issuer* may also disclose its *reserves* reconciliation on a *net reserves* basis. The issuer is not precluded from providing this additional information with its disclosure prescribed in *Form 51-101F1* provided that the *net reserves* basis for the reconciliation is clearly identified in the additional disclosure to avoid confusion.

(c) Clause 2(c)(ii) of item 4.1 of *Form 51-101F1* requires reconciliations of *reserves* to separately identify and explain technical revisions. Technical revisions show changes in existing *reserves* estimates, in respect of carried-forward *properties*, over the period of the reconciliation (i.e., between estimates as at the *effective date* and the prior year's estimate) and are the result of new technical information, not the result of capital expenditure. With respect to making technical revisions, the following should be noted:

- Infill Drilling: It would not be acceptable to include infill drilling results as a technical revision. *Reserves* additions derived from infill drilling during the year are not attributable to revisions to the previous year's *reserves* estimates. Infill drilling *reserves* must either be included in the "extensions and improved recovery" category or in an additional stand-alone category in the reserves reconciliation labelled "infill drilling".

- Acquisitions: If an acquisition is made during the year, (i.e., in the period between the *effective date* and the prior year's estimate), the *reserves* estimate to be used in the reconciliation is the estimate of *reserves* at the *effective date*, not at the acquisition date, plus any *production* since the acquisition date. This *production* must be included as *production* in the reconciliation. If there has been a change in the *reserves* estimate between the acquisition date and the *effective date* other than that due to *production*, the issuer may wish to explain this as part of the reconciliation in a footnote to the reconciliation table.

(7) **Significant Factors or Uncertainties** - Item 5.2 of *Form 51-101F1* requires an issuer to identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data*.

Like a “subsequent event” note in a financial statement, the issuer should discuss this type of information even if it pertains to a period subsequent to the *effective date*.

For example, if events subsequent to the *effective date* have resulted in significant changes in expected future prices, such that the forecast prices reflected in the *reserves data* differ materially from those that would be considered to be a reasonable outlook on the future around the date of the company’s “statement of *reserves data* and other information”, then the issuer’s statement might include, pursuant to item 5.2, a discussion of that change and its effect on the disclosed *future net revenue* estimates. It may be misleading to omit this information.

(8) **Additional Information** - As discussed in section 2.3 above and in the instructions to *Form 51-101F1*, *NI 51-101* offers flexibility in the use of the prescribed forms and the presentation of required information.

The disclosure specified in *Form 51-101F1* is the minimum disclosure required, subject to the *materiality* standard. *Reporting issuers* are free to provide additional disclosure that is not inconsistent with *NI 51-101*.

To the extent that additional, or more detailed, disclosure can be expected to assist readers in understanding and assessing the mandatory disclosure, it is encouraged. Indeed, to the extent that additional disclosure of *material* facts is necessary in order to make mandated disclosure not misleading, a failure to provide that additional disclosure would amount to a misrepresentation.

(9) **Sample *Reserves Data* Disclosure** - Appendix 1 to this Companion Policy sets out an example of how certain of the *reserves data* might be presented in a manner which the *CSA* consider to be consistent with *NI 51-101* and *Form 51-101F1*. The CSA encourages *reporting issuers* to use the format presented in Appendix 1.

The sample presentation in Appendix 1 also illustrates how certain additional information not mandated under *Form 51-101F1* might be incorporated in an annual filing.

2.8 *Form 51-101F2*

(1) **Negative Assurance by *Qualified Reserves Evaluator or Auditor* -** A *qualified reserves evaluator or auditor* conducting a review may wish to express only negative assurance -- for example, in a statement such as “Nothing has come to my attention which would indicate that the *reserves data* have not been prepared in accordance with principles and definitions presented in the Canadian Oil and Gas Evaluation Handbook”. This can be contrasted with a positive statement such as an opinion that "The *reserves data* have, in all material respects, been determined and presented in accordance with the Canadian Oil and Gas *Evaluation* Handbook and are, therefore, free of material misstatement".

The *CSA* are of the view that statements of negative assurance can be misinterpreted as providing a higher degree of assurance than is intended or warranted.

The *CSA* believe that a statement of negative assurance would constitute so *material* a departure from the report prescribed in *Form 51-101F2* as to fail to satisfy the requirements of item 2 of section 2.1 of *NI 51-101*.

In the rare case, if any, in which there are compelling reasons for making such disclosure (e.g., a prohibition on disclosure to external parties), the *CSA* believe that, to avoid providing information that could be misleading, the *reporting issuer* should include in such disclosure useful explanatory and cautionary statements. Such statements should explain the limited nature of the work undertaken by the *qualified reserves evaluator or auditor* and the limited scope of the assurance expressed, noting that it does not amount to a positive opinion.

(2) **Variations in Estimates** - *Form 51-101F2* (and *Form 51-101F3*) contains a statement that variations between *reserves data* and actual results may be material but that any variations should be consistent with the fact that *reserves* are categorized according to the probability of their recovery.

Reserves estimates are made at a point in time, being the *effective date*. A reconciliation of a *reserves* estimate to actual results is likely to show variations and the variations may be material. This variation may arise from factors such as exploration discoveries, acquisitions, divestments and economic factors that were not considered in the initial *reserves* estimate. Variations that occur with respect to *properties* that were included in both the *reserves* estimate and the actual results may be due to technical or economic factors. Any variations arising due to technical factors should be consistent with the fact that *reserves* are categorized according to the probability of their recovery. For example, the requirement that reported *proved reserves*

"must have at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated *proved reserves*" (section 5 of volume 1 of the *COGE Handbook*) implies that as more technical data becomes available, a positive, or upward, revision is significantly more likely than a negative, or downward, revision. Similarly, it should be equally likely that revisions to an estimate of *proved* plus *probable reserves* will be positive or negative.

Reporting issuers must assess the magnitude of such variation according to their own circumstances. A *reporting issuer* with a limited number of *properties* is more likely to be affected by a change in one of these *properties* than a *reporting issuer* with a greater number of *properties*. Consequently, *reporting issuers* with few *properties* are more likely to show larger variations, both positive and negative, than those with many *properties*.

Variations may result from factors that cannot be reasonably anticipated, such as the fall in the price of *bitumen* at the end of 2004 that resulted in significant negative revisions in *proved reserves*, or the unanticipated activities of a foreign government. If such variations occur, the reasons will usually be obvious. However, the assignment of a *proved reserve*, for instance, should reflect a degree of confidence in all of the relevant factors, at the *effective date*, such that the likelihood of a negative revision is low, especially for a *reporting issuer* with many properties. Examples of some of the factors that could have been reasonably anticipated, that have led to negative revisions of *proved* or of *proved* plus *probable reserves* are:

- Over-optimistic activity plans, for instance, booking reserves for *proved* or *probable undeveloped reserves* that have no reasonable likelihood of being drilled.
- *Reserves* estimates that are based on a forecast of *production* that is inconsistent with historic performance, without solid technical justification.
- Assignment of drainage areas that are larger than can be reasonably expected.
- The use of inappropriate analogs.

(3) ***Effective date* of *Evaluation* -** A *qualified reserves evaluator or auditor* cannot prepare an *evaluation* using information that relates to events that occurred after the *effective date*, being the financial year-end. Information that relates to events that occurred after the year-end should not be incorporated into the forecasts. For example, information about drilling results from wells drilled in January or February, or changes in *production* that occurred after year-end date of December 31, should not be used. Even though this more recent information is available, the evaluator or auditor should not go back and change the forecast information. The forecast is to be based on the evaluator's or auditor's perception of the future as of December 31, the *effective date* of the report.

Similarly, the evaluator or auditor should not use price forecasts for a date subsequent to the year-end date of, in this example, December 31. The evaluator or auditor should use the prices that he or she forecasted on or around December 31. The evaluator or auditor should also use the December forecasts for exchange rates and inflation. Revisions to price, exchange rate or inflation rate forecasts after December 31 would have resulted from events that occurred after December 31.

PART 3 RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

3.1 *Reserves* Committee

Section 3.4 of *NI 51-101* enumerates certain responsibilities of the board of directors of a *reporting issuer* in connection with the preparation of *oil* and *gas* disclosure.

The *CSA* believe that certain of these responsibilities can in many cases more appropriately be fulfilled by a smaller group of directors who bring particular experience or abilities and an *independent* perspective to the task.

Subsection 3.5(1) of *NI 51-101* permits a board of directors to delegate responsibilities (other than the responsibility to approve the content or filing of certain documents) to a committee of directors, a majority of whose members are *independent* of management. Although subsection 3.5(1) is not mandatory, the *CSA* encourage *reporting issuers* and their directors to adopt this approach.

3.2 Responsibility for Disclosure

NI 51-101 requires the involvement of an *independent qualified reserves evaluator or auditor* in preparing or reporting on certain *oil* and *gas* information disclosed by a *reporting issuer*, and in section 3.2 mandates the appointment of an *independent qualified reserves evaluator or auditor* to report on *reserves data*.

The *CSA* do not intend or believe that the involvement of an *independent qualified reserves evaluator or auditor* relieves the *reporting issuer* of responsibility for information disclosed by it for the purposes of *NI 51-101*.

PART 4 MEASUREMENT

4.1 Consistency in Dates

Section 4.2 of *NI 51-101* requires consistency in the timing of recording the effects of events or transactions for the purposes of both annual financial statements and annual *reserves data* disclosure.

To ensure that the effects of events or transactions are recorded, disclosed or otherwise reflected consistently (in respect of timing) in all public disclosure, a *reporting issuer* will wish to ensure that both its financial auditors and its *qualified reserves evaluators or auditors*, as well as its directors, are kept apprised of relevant events and transactions, and to facilitate communication between its financial auditors and its *qualified reserves evaluators or auditors*.

Sections 4 and 12 of volume 1 of the *COGE Handbook* set out procedures and guidance for the conduct of *reserves evaluations* and *reserves* audits, respectively. Section 12 deals with the relationship between a *reserves* auditor and the client's financial auditor. Section 4, in connection with *reserves evaluations*, deals somewhat differently with the relationship between the *qualified reserves evaluator or auditor* and the client's financial auditor. The *CSA* recommend that *qualified reserves evaluators or auditors* carry out the procedures discussed in both sections 4 and 12 of volume 1 of the *COGE Handbook*, whether conducting a *reserves evaluation* or a *reserves* audit.

PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

5.1 Application of Part 5

Part 5 of *NI 51-101* imposes requirements and restrictions that apply to all "disclosure" (or, in some cases, all written disclosure) of a type described in section 5.1 of *NI 51-101*. Section 5.1 refers to disclosure that is either

- filed by a *reporting issuer* with the *securities regulatory authority*, or
- if not filed, otherwise made to the public or made in circumstances in which, at the time of making the disclosure, the *reporting issuer* expects, or ought reasonably to expect, the disclosure to become available to the public.

As such, Part 5 applies to a broad range of disclosure including

- the annual filings required under Part 2 of *NI 51-101*,
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of *NI 51-101*),
- public disclosure documents, whether or not filed, including news releases,
- public disclosure made in connection with a distribution of securities, including a prospectus, and
- except in respect of provisions of Part 5 that apply only to written disclosure, public speeches and presentations made by representatives of the *reporting issuer* on behalf of the *reporting issuer*.
-

For these purposes, the *CSA* consider written disclosure to include any writing, map, plot or other printed representation whether produced, stored or disseminated on paper or electronically. For example, if material distributed at a company presentation refers to *BOEs*, the material should include, near the reference to *BOEs*, the cautionary statement required by paragraph 5.14(d) of *NI 51-101*.

To ensure compliance with the requirements of Part 5, the *CSA* encourage *reporting issuers* to involve a *qualified reserves evaluator or auditor*, or other person who is familiar with *NI 51-101* and the *COGE Handbook*, in the preparation, review or approval of all such *oil* and *gas* disclosure.

5.2 Disclosure of *Reserves* and Other Information

(1) **General -** A *reporting issuer* must comply with the requirements of section 5.2 in its disclosure, to the public, of *reserves* estimates and other information of a type specified in *Form 51-101F1*. This would include, for example, disclosure of such information in a news release.

(2) ***Reserves*** - *NI 51-101* does not prescribe any particular methods of estimation but it does require that a *reserve* estimate be prepared in accordance with the *COGE Handbook*. For example, section 5 of volume 1 of the *COGE Handbook* specifies that, in respect of an issuer's reported proved *reserves*, there is to be at least a 90 percent probability that the total remaining quantities of *oil* and *gas* to be recovered will equal or exceed the estimated total proved *reserves*.

Additional guidance on particular topics is provided below.

(3) ***Possible Reserves* -** A *possible reserves* estimate - either alone or as part of a sum - is often a relatively large number that, by definition, has a low probability of actually being produced. For this reason, the cautionary language prescribed in subparagraph 5.2(a)(v) of *NI 51-101* must accompany the written disclosure of a *possible reserves* estimate.

(4) **Probabilistic and Deterministic *Evaluation* Methods -** Section 5 of volume 1 of the *COGE Handbook* states that "In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods".

When deterministic methods are used, in the absence of a "mathematically derived quantitative measure of probability", the classification of *reserves* is based on professional judgment as to the quantitative measure of certainty attained.

When probabilistic methods are used in conjunction with good engineering and geological practice, they will provide more statistical information than the conventional deterministic method. The following are a few critical criteria that an evaluator must satisfy when applying probabilistic methods:

- The evaluator must still estimate the *reserves* applying the definitions and using the guidelines set out in the *COGE Handbook*.
- Entity level probabilistic *reserves* estimates should be aggregated arithmetically to provide reported level *reserves*.
- If the evaluator also prepares aggregate *reserves* estimates using probabilistic methods, the evaluator should explain in the *evaluation* report the method used. In particular, the evaluator should specify what confidence levels were used at the entity, *property*, and reported (i.e., total) levels for each of proved, proved + *probable* and proved + *probable* + *possible* (if reported) *reserves*.
- If the *reporting issuer* discloses the aggregate *reserves* that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the *reserves* definitions used for estimating the *reserves*, about the method that the evaluator used, and the underlying confidence levels that the evaluator applied.

(5) **Availability of Funding -** In assigning *reserves* to an undeveloped *property*, the *reporting issuer* is not required to have the funding available to develop the *reserves*, since they may be developed by means other than the expenditure of the *reporting issuer's* funds (for example by a farm-out or sale). *Reserves* must be estimated assuming that development of the *properties* will occur without regard to the likely availability of funding required for that *property*. The *reporting issuer's* evaluator is not required to consider whether the *reporting issuer* will have the capital necessary to develop the *reserves*. (See section 7 of *COGE Handbook* and subparagraph 5.2(a)(iv) of *NI 51-101*.)

However, item 5.3 of *Form 51-101F1* requires a *reporting issuer* to discuss its expectations as to the sources and costs of funding for estimated future *development costs*. If the issuer expects that the costs of funding would make development of a *property* unlikely, then even if *reserves* were assigned, it must also discuss that expectation and its plans for the *property*.

(6) **Proved or Probable *Undeveloped Reserves* -** Proved or probable *undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the proved or probable *undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be

omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the proved or probable *undeveloped reserves* are not disclosed to the public, then those who have a special relationship with the issuer and know about the existence of these *reserves* would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has a prospectus, the prospectus might not contain full true and plain disclosure of all *material* facts if it does not contain information about these proved or probable *undeveloped reserves*.

(7) **Mechanical Updates** - So-called "mechanical updates" of *reserves* reports are sometimes created, often by rerunning previous *evaluations* with a new price deck. This is problematic since there may have been material changes other than price that may lead to the report being misleading. If a *reporting issuer* discloses the results of the mechanical update it should ensure that all relevant material changes are also disclosed to ensure that the information is not misleading.

5.3 *Reserves* and *Resources* Classification

Section 5.3 of *NI 51-101* requires that any disclosure of *reserves* or *resources* must be made using the categories and terminology as set out in the *COGE Handbook*. The definitions of the various reserves and resources categories, derived from the *COGE Handbook*, are provided in the NI 51-101 Glossary. In addition, section 5.3 of *NI 51-101* requires that disclosure of *reserves* or *resources* must relate to the most specific category of *reserves* or *resources* in which the *reserves* or *resources* can be classified. For instance, there are several subcategories of *discovered resources* including *reserves*, *contingent resources* and *discovered unrecoverable resources*. *Reporting issuers* must classify *discovered resources* into one of the subcategories of *discovered resources*. In exceptional circumstances, a *reporting issuer* may be unable to classify the *resources* in a subcategory of *discovered resources*, in which case it must provide a comprehensive explanation as to why the *resources* cannot be classified in a *subcategory*.

In addition, *reserves* can be estimated using three subcategories, namely *proved*, *probable* or *possible reserves*, according to the probability that such quantities of *reserves* will actually be produced. As described in the *COGE Handbook* proved, *probable* and *possible reserves* represent conservative, realistic and optimistic estimates of *reserves*, respectively. Therefore any disclosure of *reserves* must be broken down into one of the three subcategories of *reserves*, namely proved, *probable* or *possible reserves*. For further guidance on disclosure of *reserves* and *resources* please see sections 5.2 and 5.5 of this Companion Policy.

5.4 Written Consents

Section 5.7 of *NI 51-101* restricts a *reporting issuer's* use of a report of a *qualified reserves evaluator or auditor* without written consent. The consent requirement does not apply to the direct use of the report for the purposes of *NI 51-101* (filing *Form 51-101F1*; making direct or indirect reference to the conclusions of that report in the filed *Form 51-101F1* and *Form 51-101F3*; and identifying the report in the news release referred to in section 2.2). The *qualified reserves evaluator or auditor* retained to report to a *reporting issuer* for the purposes of *NI 51-101* is expected to anticipate these uses of the report. However, further use of the report (for example, in a securities offering document or in other news releases) would require written consent.

5.5 Disclosure of *Resources*

(1) **Disclosure of *Resources* Generally -**The disclosure of *resources*, excluding proved and *probable reserves*, is not mandatory under *NI 51-101*, except that a *reporting issuer* must make disclosure concerning its unproved *properties* and *resource* activities in its annual filings as described in Part 6 of *Form 51-101F1*. Additional disclosure beyond this is voluntary and must comply with section 5.9 of *NI 51-101* if *anticipated results* from the *resources* are voluntarily disclosed.

For prospectuses, the general securities disclosure obligation of "full, true and plain" disclosure of all *material* facts would require the disclosure of *reserves* or *resources* that are *material* to the issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.

Disclosure of *resources* may involve the use of statistical measures that may be unfamiliar to a user. It is the responsibility of the evaluator and the *reporting issuer* to be familiar with these measures and for the *reporting issuer* to be able to explain them to investors. Information on statistical measures may be found in the *COGE*

Handbook (section 9 of volume 1 and section 4 of volume 2) and in the extensive technical literature[4] on the subject.

(2) **Disclosure of *Anticipated Results* under Subsection 5.9(1) of *NI 51-101* -** If a *reporting issuer* voluntarily discloses *anticipated results* from *resources* that are not classified as *reserves*, it must disclose certain basic information concerning the *resources*, which is set out in subsection 5.9(1) of *NI 51-101*. Additional disclosure requirements arise if the *anticipated results* disclosed by the issuer include an estimate of a *resource* quantity or associated value, as set out below in subsection 5.5(3).

If a *reporting issuer* discloses *anticipated results* relating to numerous aggregated *properties, prospects* or *resources*, the issuer may, depending on the circumstances, satisfy the requirements of subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The *reporting issuer* must ensure that its disclosure is reasonable, meaningful and at a level appropriate to its size. For a *reporting issuer* with only few *properties*, it may be appropriate to make the disclosure for each *property*. Such disclosure may be unreasonably onerous for a *reporting issuer* with many *properties*, and it may be more appropriate to summarize the information by major areas or for major projects. However, if a *reporting issuer* discloses an aggregate *resource* estimate (or associated value) referred to in subsection 5.9(2) of *NI 51-101*, the issuer must ensure that any aggregation of *properties* occurs within the most specific category of *resource* classification as required by paragraph 5.9(2)(b). A *reporting issuer* cannot aggregate *properties* across different categories of *resources* if a *resource* estimate referenced in subsection 5.9(2) is disclosed.

In respect of the requirement to disclose the risk and level of uncertainty associated with the *anticipated result* under paragraph 5.9(1)(d) of *NI 51-101*, risk and uncertainty are related concepts. Section 9 of volume 1 of the *COGE Handbook* provides the following definition of risk:

> "Risk refers to a likelihood of loss and … It is less appropriate to *reserves* evaluation because economic viability is a prerequisite for defining *reserves*."

The concept of risk may have some limited relevance in disclosure related to *reserves*, for instance, for incremental *reserves* that depend on the installation of a compressor, the likelihood that the compressor will be installed. Risk is often relevant to the disclosure of *resource* categories other than *reserves*, in particular the likelihood that an exploration well will, or will not, be successful.

Section 9 of volume 1 of the *COGE Handbook* provides the following definition of uncertainty:

> "Uncertainty is used to describe the range of possible outcomes of a *reserves* estimate."

However, the concept of uncertainty is generally applicable to any estimate, including not only *reserves*, but also to all other categories of *resource*.

In satisfying the requirement of paragraph 5.9(1)(d) of *NI 51-101,* a *reporting issuer* should ensure that their disclosure includes the risks and uncertainties that are appropriate and meaningful for their activities. This may be expressed quantitatively as probabilities or qualitatively by appropriate description. If the *reporting issuer* chooses to express the risks and level of uncertainty qualitatively, the disclosure must be meaningful and not in the nature of a general disclaimer.

If the *reporting issuer* discloses the estimated value of an *unproved property* other than a value attributable to an estimated *resource* quantity, then the issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e). This type of value is typically based on petroleum land management practices that consider activities and land prices in nearby areas. If done *independently*, it would be done by a valuator with petroleum land management expertise who would generally be a member of a *professional organization* such as the Canadian Association of Petroleum Landmen. This is distinguishable from the determination of a value attributable to an estimated *resource* quantity, as contemplated in subsection 5.9(2). This latter type of value estimate must be prepared by a *qualified reserves evaluator or auditor*.

The calculation of an estimated value described in paragraph 5.9(1)(e) may be based on one or more of the following factors:

[4] For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0)) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora, Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1)

- the acquisition cost of the *unproved property* to the *reporting issuer*, provided there have been no material changes in the *unproved property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;
- recent sales by others of interests in the same *unproved property*;
- terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *unproved property*;
- terms and conditions, expressed in monetary terms, of recent work commitments related to the *unproved property*;
- recent sales of similar *properties* in the same general area;
- recent exploration and discovery activity in the general area;
- the remaining term of the *unproved property*; or
- burdens (such as overriding royalties) that impact on the value of the *property*.

The *reporting issuer* must disclose the basis of the calculation of the value of the *unproved property*, which may include one or more of the above-noted factors.

The *reporting issuer* must also disclose whether the value was prepared by an *independent* party. In circumstances in which paragraph 5.9(1)(e) applies and where the value is prepared by an *independent* party, in order to ensure that the *reporting issuer* is not making public disclosure of misleading information, the *CSA* expect the *reporting issuer* to provide all relevant information to the valuator to enable the valuator to prepare the estimate.

(3) **Disclosure of an Estimate of Quantity or Associated Value of a *Resource* under Subsection 5.9(2) of *NI 51-101***

(a) Overview of Subsection 5.9(2) of *NI 51-101*

Pursuant to subsection 5.9(2) of *NI 51-101*, if a *reporting issuer* discloses an estimate of a *resource* quantity or an associated value, the estimate must have been prepared by a *qualified reserves evaluator or auditor*. If a *reporting issuer* obtains or carries out an evaluation of *resources* and wishes to file or disseminate a report in a format comparable to that prescribed in *Form 51-101F2*, it may do so. However, the title of such a form must not contain the term "*Form 51-101 F2*" as this form is specific to the evaluation of *reserves data*. *Reporting issuers* must modify the report on *resources* to reflect that *reserves data* is not being reported. A heading such as "Report on *Resource* Estimate by *Independent Qualified Reserves Evaluator or Auditor*" may be appropriate. Although such an evaluation is required to be carried out by a *qualified reserves evaluator or auditor*, there is no requirement that it be *independent*. If an *independent* party does not prepare the report, *reporting issuers* should consider amending the title or content of the report to make it clear that the report has not been prepared by an *independent* party and the *resource* estimate is not an independent *resource* estimate.

The *COGE Handbook* recommends the use of probabilistic *evaluation* methods for making *resource* estimates, and although it does not provide detailed guidance there is a considerable amount of technical literature on the subject.

In addition, pursuant to section 5.3 and paragraph 5.9(2)(b) of *NI 51-101*, the *reporting issuer* must ensure that the estimated *resource* relates to the most specific category of *resources* in which the *resource* can be classified. As discussed above in subsection 5.5(2) of this Companion Policy, if a *reporting issuer* wishes to disclose an aggregate *resource* estimate which involves the aggregation of numerous *properties, prospects* or *resources*, it must ensure that the disclosure does not result in a contravention of the requirement in paragraph 5.9(2)(b) of *NI 51-101*.

Subsection 5.9(2) requires the *reporting issuer* to disclose certain information in addition to that prescribed in subsection 5.9(1) of *NI 51-101* to assist recipients of the disclosure in understanding the nature of risks associated with the estimate. This information includes a definition of the *resource* category used for the estimate, disclosure of factors relevant to the estimate and cautionary language.

(b) Definitions of *Resource* Categories

For the purpose of complying with the requirement of defining the *resource* category, the *reporting issuer* must ensure that disclosure of the definition is consistent with the *resource* categories and terminology set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the NI 51-101 Glossary identify and define the various *resource* categories.

A *reporting issuer* may wish to report *reserves* or *resources* of *oil* or *gas* as "in-place volumes". By definition, *reserves* of any type, *contingent resources* and *prospective resources* are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being "in-place". Terms such as "potential *reserves*", "undiscovered *reserves*", "*reserves* in place", "in-place *reserves*" or similar terms must not be used because they are incorrect and misleading. The disclosure of *reserves* or *resources* must be consistent with the *reserves* and *resources* terminology and categories set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*.

The *reporting issuer* can report other categories of *resources*, such as discovered and *undiscovered resources*, as in-place volumes. However, the issuer should caution the reader that this does not represent recoverable volumes.

(c) Application of Subsection 5.9(2) of *NI 51-101*

If the *reporting issuer* discloses an estimate of a *resource* quantity or associated value, the *reporting issuer* must additionally disclose the following:

(i) a definition of the *resource* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) significant positive and negative factors relevant to the estimate;

(iv) the contingencies which prevent the classification of a contingent *resource* as a *reserve*; and

(v) cautionary language as prescribed by subparagraph 5.9(2)(c)(v) of *NI 51-101*.

The *resource* estimate may be disclosed as a single quantity such as a median or mean, representing the best estimate. Frequently, however, the estimate consists of three values that reflect a range of reasonable likelihoods (the low value reflecting a conservative estimate, the middle value being the best estimate, and the high value being an optimistic estimate).

Guidance concerning defining the *resource* category is provided above in section 5.3 and paragraph 5.5(3)(b) of this Companion Policy.

Reporting issuers are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(c)(iii). For example, if there is no infrastructure in the region to transport the resource, this may constitute a significant negative factor relevant to the estimate. Other examples would include a significant lease expiry or any legal, capital, political, technological, business or other factor that is highly relevant to the estimate. To the extent that the *reporting issuer* discloses an estimate for numerous properties that are aggregated, it may disclose significant positive and negative factors relevant to the aggregate estimate, unless discussion of a particular material *resource* or *property* is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(c)(v) includes a prescribed disclosure that there is no certainty that it will be commercially viable to produce any portion of the resources. The concept of commercial viability would incorporate the meaning of the word "commercial" provided in the NI 51-101 Glossary.

The general disclosure requirements of paragraph 5.9(2)(c) of *NI 51-101* may be illustrated by an example. If a *reporting issuer* discloses, for example, an estimate of a volume of its *bitumen* which is a *contingent resource* to the issuer, the disclosure would include information of the following nature:

> The *reporting issuer* holds a [●] interest in [provide description and location of interest]. As of [●] date, it estimates that, in respect of this interest, it has [●] bbls of *bitumen*, which would be classified

as a *contingent resource*. A *contingent resource* is defined as [cite current definition in the *COGE Handbook*]. There is no certainty that it will be commercially viable to produce any portion of the *resource*. The contingencies which currently prevent the classification of the *resource* as a *reserve* are [state specific capital costs required to render *production* economic, applicable regulatory considerations, pricing, specific supply costs, technological considerations, and/or other relevant factors]. A significant factor relevant to the estimate is [e.g.] an existing legal dispute concerning title to the interest.

To the extent that this information is provided in a previously filed document, and it relates to the same interest in *resources*, the issuer can omit disclosure of significant positive and negative factors relevant to the estimate and the contingencies which prevent the classification of the *resource* as a *reserve*. However, the issuer must make reference in the current disclosure to the title and date of the previously filed document.

5.6 *Analogous Information*

A *reporting issuer* may wish to base an estimate on, or include comparative *analogous information* for their area of interest, such as *reserves*, *resources*, and *production*, from *fields* or wells, in nearby or geologically similar areas. Particular care must be taken in using and presenting this type of information. Using only the best wells or *fields* in an area, or ignoring dry holes, for instance, may be particularly misleading. It is important to present a factual and balanced view of the information being provided.

The *reporting issuer* must comply with the disclosure requirements of section 5.10 of *NI 51-101*, when it discloses *analogous information*, as that term is broadly defined in *NI 51-101*, for an area which includes an area of the *reporting issuer's* area of interest. Pursuant to subsection 5.10(2) of *NI 51-101*, if the issuer discloses an estimate of its own *reserves* or *resources* based on an extrapolation from the *analogous information*, or if the *analogous information* itself is an estimate of its own *reserves* or *resources*, the issuer must ensure the estimate is prepared in accordance with the *COGE Handbook* and disclosed in accordance with *NI 51-101* generally. For example, in respect of a *reserves* estimate, the estimate must be classified and prepared in accordance with the *COGE Handbook* by a *qualified reserves evaluator or auditor* and must otherwise comply with the requirements of section 5.2 of *NI 51-101*.

5.7 Consistent Use of Units of Measurement

Reporting issuers should be consistent in their use of units of measurement within and between disclosure documents, to facilitate understanding and comparison of the disclosure. For example, *reporting issuers* should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents. Issuers should refer to Appendices B and C of volume 1 of the *COGE Handbook* for the proper reporting of units of measurement.

In all cases, in accordance with subparagraph 5.2(a)(iii) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant terminology and unit prefixes set out in the *COGE Handbook*.

5.8 *BOEs* and *McfGEs*

Section 5.14 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure using units of equivalency such as *BOEs* or *McfGEs*. The requirements include prescribed methods of calculation and cautionary disclosure as to the possible limitations of those calculations. Section 13 of the *COGE Handbook*, under the heading "Barrels of Oil Equivalent", provides additional guidance.

5.9 Finding and *Development costs*

Section 5.15 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure of finding and *development costs*.

Because the prescribed methods of calculation under section 5.15 involve the use of *BOEs*, section 5.14 of *NI 51-101* necessarily applies to disclosure of finding and *development costs* under section 5.15. As such, the finding and development cost calculations must apply a conversion ratio as specified in section 5.14 and the cautionary disclosure prescribed in section 5.14 will also be required.

BOEs are based on imperial units of measurement. If the *reporting issuer* uses other units of measurements (such as SI or "metric" measures), any corresponding departure from the requirements of section 5.15 should reflect the use of units other than *BOEs*.

5.10 Prospectus Disclosure

In addition to the general disclosure requirements in *NI 51-101* which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

(1) **Significant Acquisitions -** To the extent that an issuer engaged in *oil and gas activities* discloses a significant acquisition in its prospectus, it must disclose sufficient information for a reader to determine how the acquisition affected the *reserves data* and other information previously disclosed in the issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 51-101* with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions.

(2) **Disclosure of *Resources* -** The disclosure of *resources*, excluding proved and *probable reserves*, is generally not mandatory under *NI 51-101*, except for certain disclosure concerning the issuer's unproved *properties* and *resource* activities as described in Part 6 of *Form 51-101F1*, which information would be incorporated into the prospectus. Additional disclosure beyond this is voluntary and must comply with sections 5.9 and 5.10 of *NI 51-101*, as applicable. However, the general securities disclosure obligation of "full, true, and plain" disclosure of all *material* facts in a prospectus would require the disclosure of *resources* that are *material* to the issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.

(3) **Proved or Probable *Undeveloped reserves* -** Further to the guidance provided in subsection 5.2(4) of this Companion Policy, proved or probable *undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the proved or probable *undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the issuer has a prospectus, the prospectus might not contain full, true and plain disclosure of all *material* facts if it does not contain information about these proved *undeveloped reserves*.

(4) ***Reserves* Reconciliation in an Initial Public Offering -** In an initial public offering, if the issuer does not have a *reserves* report as at its prior year-end, or if this report does not provide the information required to carry out a *reserves* reconciliation pursuant to item 4.1 of *Form 51-101F1*, the *CSA* may consider granting relief from the requirement to provide the *reserves* reconciliation. A condition of the relief may include a description in the prospectus of relevant changes in any of the categories of the *reserves* reconciliation.

(5) **Relief to Provide More Recent *Form 51-101F1* Information in a Prospectus -** If an issuer is filing a preliminary prospectus and wishes to disclose *reserves data* and other *oil* and *gas* information as at a more recent date than its applicable year-end date, the *CSA* may consider relieving the issuer of the requirement to disclose the *reserves data* and other information as at year-end.

An issuer may determine that its obligation to provide full, true and plain disclosure obliges it to include in its prospectus *reserves data* and other *oil* and *gas* information as at a date more recent than specified in the prospectus requirements. The prospectus requirements state that the information must be as at the issuer's most recent financial year-end in respect of which the prospectus includes financial statements. The prospectus requirements, while certainly not presenting an obstacle to such more current disclosure, would nonetheless require that the corresponding information also be provided as at that financial year-end.

We would consider granting relief on a case-by-case basis to permit an issuer in these circumstances to include in its prospectus the *oil* and *gas* information prepared with an *effective date* more recent than the financial year-end date, without also including the corresponding information effective as at the year-end date. A consideration for granting this relief may include disclosure of *Form 51-101F1* information with an *effective date* that coincides with the date of interim financial statements. The issuer should request such relief in the covering letter accompanying its preliminary prospectus. The grant of the relief would be evidenced by the prospectus receipt.

PART 6 MATERIAL CHANGE DISCLOSURE

6.1 Changes from Filed Information

Part 6 of *NI 51-101* requires the inclusion of specified information in disclosure of certain material changes.

The information to be filed each year under Part 2 of *NI 51-101* is prepared as at, or for a period ended on, the *reporting issuer's* most recent financial year-end. That date is the *effective date* referred to in subsection 6.1(1) of *NI 51-101*. When a material change occurs after that date, the filed information may no longer, as a result of the material

change, convey meaningful information, or the original information may have become misleading in the absence of updated information.

Part 6 of *NI 51-101* requires that the disclosure of the material change include a discussion of the *reporting issuer's* reasonable expectation of how the material change has affected the issuer's *reserves data* and other information contained in its filed disclosure. This would not necessarily require that an *evaluation* be carried out. However, the *reporting issuer* should ensure it complies with the general disclosure requirements set out in Part 5, as applicable. For example, if the material change report discloses an updated *reserves* estimate, this should be prepared in accordance with the *COGE Handbook* and by a *qualified reserves evaluator or auditor*.

This material change disclosure can reduce the likelihood of investors being misled, and maintain the usefulness of the original filed *oil* and *gas* information when the two are read together.

APPENDIX 1
to
COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES

SAMPLE *RESERVES DATA* DISCLOSURE

Format of Disclosure

NI 51-101 and *Form 51-101F1* do not mandate the format of the disclosure of *reserves data* and related information by *reporting issuers*. However, the CSA encourages *reporting issuers* to use the format presented in this Appendix.

Whatever format and level of detail a *reporting issuer* chooses to use in satisfying the requirements of *NI 51-101*, the objective should be to enable reasonable investors to understand and assess the information, and compare it to corresponding information presented by the *reporting issuer* for other reporting periods or to similar information presented by other *reporting issuers*, in order to be in a position to make informed investment decisions concerning securities of the *reporting issuer*.

A logical and legible layout of information, use of descriptive headings, and consistency in terminology and presentation from document to document and from period to period, are all likely to further that objective.

Reporting issuers and their advisers are reminded of the *materiality* standard under section 1.4 of *NI 51-101*, and of the instructions in *Form 51-101F1*.

See also sections 1.4, 2.2 and 2.3 and subsections 2.7(8) and 2.7(9) of Companion Policy 51-101CP.

Sample Tables

The following sample tables provide an example of how certain of the *reserves data* might be presented in a manner consistent with *NI 51-101*.

These sample tables do not reflect all of the information required by *Form 51-101F1*, and they have been simplified to reflect *reserves* in one country only. For the purpose of illustration, the sample tables also incorporate information not mandated by *NI 51-101* but which *reporting issuers* might wish to include in their disclosure; shading indicates this non-mandatory information.

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006

CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL DISCLOSURE]

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS[2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) Other product types must be added if material.

(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.

OPTIONAL
SUPPLEMENTAL

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006

CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL DISCLOSURE]

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

OPTIONAL SUPPLEMENTAL

Reference: Item 2.2 of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006

CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL DISCLOSURE]

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOP-MENT COSTS (M$)	ABANDON-MENT AND RECLAMATION COSTS (M$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M$)	INCOME TAXES (M$)	FUTURE NET REVENUE AFTER INCOME TAXES (M$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

OPTIONAL SUPPLEMENTAL

Reference: Item 2.2 of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006

CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL DISCLOSURE]

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx

OPTIONAL SUPPLEMENTAL

Reference: Item 2.2 of Form 51-101 F1

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006

FORECAST PRICES AND COSTS

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS [2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) Other product types must be added if material.

(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006

FORECAST PRICES AND COSTS

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

(1) A reporting issuer may wish to satisfy its requirement to disclose these unit values by inserting this disclosure for each category of proved reserves and for probable reserves, by production group, in the chart for item 2.1(3)(c) of *Form 51-101F1* (see sample chart below entitled Future Net Revenue by Production Group).

(2) The unit values are based on net reserve volumes.

Reference: Item 2.1(1) and (2) of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006

FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOP-MENT COSTS (M$)	ABANDON-MENT AND RECLAMATION COSTS (M$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M$)	INCOME TAXES (M$)	FUTURE NET REVENUE AFTER INCOME TAXES (M$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Reference: Item 2.1(3)(b) of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006

FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)	UNIT VALUE ($/Mcf) ($/bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	

Reference: Item 2.1(3)(c) of *Form 51-101F1*

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, 2006

CONSTANT PRICES AND COSTS[1]

Year	OIL[2]				NATURAL GAS[2]	NATURAL GAS LIQUIDS	EXCHANGE RATE[3]
	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40^0 API ($Cdn/bbl)	Hardisty Heavy 12^0 API ($Cdn/bbl)	Cromer Medium 29.3^0 API ($Cdn/bbl)	AECO Gas Price ($Cdn/MMBtu	FOB Field Gate ($Cdn/bbl)	($US/$Cdn)
Historical (Year End)							
2003	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx
2006 (Year End)	xx	xx	xx	xx	xx	xx	xx

OPTIONAL SUPPLEMENTAL

(1) This disclosure is triggered by optional supplemental disclosure of item 2.2 of *Form 51-101F1*.
(2) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
(3) The exchange rate used to generate the benchmark reference prices in this table.

Reference: Item 3.1 of Form 51-101 F1

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of December 31, 2006

FORECAST PRICES AND COSTS

Year	OIL[1] WTI Cushing Oklahoma $US/bbl	OIL[1] Edmonton Par Price 40^0 API $Cdn/bbl	OIL[1] Hardisty Heavy 12^0 API $Cdn/bbl	OIL[1] Cromer Medium 29.3^0 API $Cdn/bbl	NATURAL GAS[1] AECO Gas Price ($Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate ($Cdn/bbl)	INFLATION RATES[2] %/Year	EXCHANGE RATE[3] $US/$Cdn
Historical[4]								
2003	xx	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx	xx
2006	xx	xx	xx	xx	xx	xx	xx	xx
Forecast								
2007	xx	xx	xx	xx	xx	xx	xx	xx
2008	xx	xx	xx	xx	xx	xx	xx	xx
2009	xx	xx	xx	xx	xx	xx	xx	xx
2010	xx	xx	xx	xx	xx	xx	xx	xx
2011	xx	xx	xx	xx	xx	xx	xx	xx
Thereafter	xx	xx	xx	xx	xx	xx	xx	xx

(1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
(2) Inflation rates for forecasting prices and costs.
(3) Exchange rates used to generate the benchmark reference prices in this table
(4) Item 3.2 (1)(b) of *Form 51-101F1* also requires disclosure of the *reporting issuer's* weighted average historical prices for the most recent financial year (2006, in this example).

OPTIONAL
SUPPLEMENTAL

Reference: Item 3.2 of Form 51-101 F1

RECONCILIATION OF
COMPANY GROSS RESERVES
BY PRODUCT TYPE(1)

FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & Improved Recovery	xx	xx	xx	xx	xx	xx	xx	xx	xx
Technical Revisions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Discoveries	xx	xx	xx	xx	xx	xx	xx	xx	xx
Acquisitions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Dispositions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Economic Factors	xx	xx	xx	xx	xx	xx	xx	xx	xx
Production	xx	xx	xx	xx	xx	xx	xx	xx	xx
December 31, 2006	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) The reserves reconciliation must include other product types, including synthetic oil, bitumen,coal bed methane, hydrates, shale oil and shale gas, if material for the reporting issuer.

Reference: Item 4.1 of *Form 51-101F1*

Chapter 6

Request for Comments

6.1.1 Notice of Proposed NI 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services and Companion Policy 23-102CP

NOTICE OF PROPOSED NATIONAL INSTRUMENT 23-102
USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR
ORDER EXECUTION SERVICES OR RESEARCH SERVICES
AND COMPANION POLICY 23-102CP

I. INTRODUCTION

The Canadian Securities Administrators (the CSA or we) are publishing the following revised documents for a 90-day comment period:

- Proposed National Instrument 23-102 – *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services* (Proposed Instrument); and
- Proposed Companion Policy 23-102 CP (Proposed Policy).

We seek to adopt the Proposed Instrument as a rule in each of British Columbia, Alberta, Manitoba, New Brunswick, Nova Scotia, Ontario and Québec, as a Commission regulation in Saskatchewan and as a policy in each of the other jurisdictions represented by the CSA. The Proposed Policy would be adopted as a policy in each of the jurisdictions represented by the CSA.

II. BACKGROUND

On July 21, 2006, the CSA published the following documents for comment (collectively, the 2006 Documents)[1]:

- Notice of Proposed National Instrument 23-102 – *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements)* (2006 Notice);
- Proposed National Instrument 23-102 – *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements)* (2006 Instrument); and
- Proposed Companion Policy 23-102 CP (2006 Policy).

The CSA invited public comment on all aspects of the 2006 Documents and specifically requested comment on fifteen questions. Forty-three comment letters were received. We have considered the comments received and thank all the commenters for their submissions. A list of those who submitted comments, as well as a summary of comments and our responses to them, are attached as Appendix "A" to this Notice.

III. RECENT DEVELOPMENTS

Also in 2006, the U.S. Securities and Exchange Commission (SEC) issued guidance on client commission arrangements. The transition period for implementation of the SEC's 2006 interpretive release (SEC Release)[2] ended early in 2007. The final rules of the Financial Services Authority[3] had already taken effect by the time the 2006 Documents were published.

More recently, statements have been made by various representatives of the SEC that suggest that SEC staff continue to work on recommendations to their Commission that may help to increase transparency and improve oversight in relation to the use of client commissions. We will continue to monitor the developments in the U.S.

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1 Published at (2006) 29 OSCB 5923.

2 The SEC Release was issued on July 18, 2006 under Exchange Act Release No. 34-54165. These were effective July 24, 2006 with a six-month transition period to January 24, 2007.

3 The FSA's final rules were published in July 2005 in Policy Statement 05/9, Bundled Brokerage and Soft Commission Arrangements: Feedback on CP 05/5 and Final Rules. These were effective January 1, 2006 with a six-month transition period.

IV. SUBSTANCE AND PURPOSE OF THE PROPOSED INSTRUMENT AND PROPOSED POLICY

In response to comments received, and after further consideration by the CSA, the 2006 Documents have been materially revised. The purpose of the Proposed Instrument and Proposed Policy remains the same although their content has changed.

The Proposed Instrument continues to provide a specific framework for the use of client brokerage commissions by advisers. It clarifies the broad characteristics of the goods and services that may be acquired by advisers with these commissions and also describes the advisers' disclosure obligations in relation to such use of client brokerage commissions.

The Proposed Policy gives additional guidance regarding the types of goods and services that may be obtained by advisers with client brokerage commissions, as well as non-permitted goods and services. It also gives guidance on the disclosure that would be considered acceptable to meet the requirements of the Proposed Instrument.

V. SUMMARY OF THE PROPOSED INSTRUMENT AND PROPOSED POLICY

A. Common Themes from Comments on the 2006 Documents

The common themes that emerged from the comments received on the 2006 Documents were: (1) difficulties could arise regarding the application of the 2006 Instrument to principal transactions in securities where there is no independent pricing mechanism; (2) the requirements should be harmonized to the greatest extent possible with those in the U.K. and U.S., with preference for harmonization with the U.S.; (3) the proposed disclosure requirements would be difficult to meet and may not be useful to many clients; and (4) a transition period should be considered.

As noted above, we have considered the comments and have made substantive changes to the 2006 Documents (reflected in the current Proposed Instrument and Proposed Policy). These changes are summarized below. Several non-substantive changes have also been made in response to the comments received. These changes and the reasons for them are discussed in the summary of comments and responses included at Appendix "A".

B. Summary of Substantive Changes to the Proposed Instrument and Proposed Policy

The following summary of the substantive changes to the Proposed Instrument and Proposed Policy is divided into five parts: (i) application of the Proposed Instrument; (ii) the definitions of order execution services and research services; (iii) the framework for client brokerage commission practices; (iv) disclosure of client brokerage commission practices; (v) transition period.

(i) Application of the Proposed Instrument

We are now proposing a narrower application of the Proposed Instrument in response to comments regarding difficulties in meeting the requirements if the Proposed Instrument were to apply to all trades in securities. These comments suggested that:

- fees associated with securities traded on a principal basis are imbedded in the price of these securities and cannot be easily measured;
- the lack of pre- and post-trade transparency in the OTC markets makes it difficult to separate the price of a security from the additional services provided; and
- consideration should be given to limiting the application of the proposed instrument to trades in securities where an independent pricing mechanism exists in order to help harmonize with the scope of the SEC and FSA requirements.

Section 2.1 of the Proposed Instrument provides that the application of the Proposed Instrument will be limited to any trade in securities for an investment fund, a fully managed account, or any other account or portfolio over which an adviser exercises investment discretion on behalf of third party beneficiaries, where brokerage commissions are charged by the dealer. Additional guidance has been proposed in subsection 2.1(1) of the Proposed Policy to clarify that the reference in the Proposed Instrument to "client brokerage commissions" includes any commission or similar transaction-based fee charged for a trade where the amount paid for the security is clearly separate and identifiable (e.g., the security is exchange-traded, or there is some other independent pricing mechanism that enables the adviser to accurately and objectively determine the amount of commissions or fees charged).

Subsection 2.1(2) of the Proposed Policy has also been added to provide clarification regarding the basis for limiting the application of the Proposed Instrument, and to clarify that advisers that obtain goods and services other than order execution in conjunction with trades such as principal trades where a mark-up is charged (e.g., fixed income traded in the OTC markets), will remain subject to their general fiduciary obligations to deal fairly, honestly and in good faith with clients, but will not be able to rely on the Instrument to demonstrate compliance with those obligations.

(ii) The Definitions of Order Execution Services and Research Services

Generally, commenters indicated that we should harmonize requirements with the U.S. and U.K. in relation to the definitions of order execution services and research services, and the interpretations of those definitions in relation to the eligibility of certain goods and services. Many of these commenters may have overlooked the differences between these two jurisdictions regarding such definitions and eligibility. Those that noted the differences favoured harmonization with the U.S.

In response to the comments received, we have made changes to the definitions and corresponding guidance. The substantive changes relate to the following:

- The temporal standard for order execution services;
- The definition and characteristics of research services; and
- Views on the eligibility of various specific goods and services.

(a) The temporal standard for order execution services

There were no changes made to the proposed definition of order execution services. The definition remains consistent with that contained in the existing OSC Policy 1.9 and AMF Policy Statement Q-20[4] (Existing Provisions). However, we have made amendments to clarify the proposed temporal standard for order execution services in light of various comments received, which included suggestions that "order execution services" start from the point at which an order life cycles begins (after the investment decision is made), and would generally include those goods and services that are used to decide how, when or where to place an order or effect a trade.

Comments received in relation to questions asked on the eligibility of specific goods and services also indicated that different interpretations of the starting point for the temporal standard exist. For example, comments received relating to the eligibility of post-trade analytics indicated that some parties considered certain uses to be "order execution services" while others considered those same uses to be "research services". This may have been a result of the temporal standard proposed in the 2006 Documents that started at the point after which an adviser makes an investment or trading decision, but did not provide any further clarification as to delineation.

As a result, section 3.2 of the Proposed Policy has been revised and now proposes a temporal standard for order execution services which would generally include goods and services provided or used between the point at which an adviser makes an investment decision (i.e., the decision to buy or sell a security) and the point at which the resulting securities transaction is concluded.

We have also amended the definition of "research services"[5] in the Proposed Instrument by removing reference to "the advisability of effecting securities transactions in securities" and replacing it with language that is intended to help to avoid any future misinterpretation of the proposed temporal standard.

We think that clarifying the starting point for the temporal standard for order execution services would help to ensure consistency in the categorization of goods and services involved in the execution process regardless of the extent to which the adviser relies on the dealer for execution decisions, or contributes to or makes these decisions itself.

While we believe the temporal standard may be different from that included in the SEC Release[6], we do not believe the difference would cause any issues regarding the eligibility of particular goods or services between jurisdictions. Rather, this should only result in differences in how an eligible good or service has been categorized between the two jurisdictions; for example, a good categorized as research under the SEC's temporal standard might be categorized as order execution services under the Proposed Instrument.

Question 1:

What difficulties might be caused by a temporal standard for order execution services that might differ from the standard applied by the SEC, especially in the absence of any detailed disclosure requirements in the U.S.?

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4 AMF Policy Statement Q-20 gained the force of a rule in June 2003 through Section 100 of *An Act to amend the Securities Act* (S.Q. 2001, chapter 38).

5 The term "research services" replaces the term "research" used in the 2006 Instrument and 2006 Policy.

6 For its temporal standard, the SEC Release states that "brokerage begins when the money manager communicates with the broker-dealer for the purpose of transmitting an order for execution and ends when funds or securities are delivered or credited to the advised account or the account holder's agent" (SEC Release, pp. 40-41).

In the event difficulties might result, do these outweigh any benefit from having a temporal standard that results in consistent classification of goods and services based on use?

(b) The definition and characteristics of research services

We have made substantive changes to both the definition of research services and the associated guidance as a result of comments received regarding the 2006 Documents. These comments included that the characteristics of research services proposed, combined with the proposed obligation for advisers to ensure that research received adds value to investment or trading decisions, do not allow for eligibility of those goods and services that might not contain the specific proposed characteristics, or may not on their own add value to the investment trading decision, but do add value when used by an adviser as an input to its own analyses and research processes. We also re-examined whether an approach more consistent with that taken in the SEC Release, which places more focus on the use of the goods and services, should be adopted.

As a result, the following substantive changes were made:

- The proposed guidance included in section 3.3 of the Proposed Policy was revised to reduce the focus on the characteristics of research.

- The obligation proposed in paragraph 3.1(2)(b) of the 2006 Instrument for the adviser to ensure that research services add value to the investment decision was also removed in conjunction with amendments to place more focus on the use of goods and services for determining eligibility for payment with client brokerage commissions. (Other reasons also contributed to the removal of this obligation and these are discussed below in the section: *The Framework for Client Brokerage Commission Practices*.)

(c) Views on the eligibility of certain goods and services

We considered and re-examined the eligibility, as research services, of goods and services such as raw market data, proxy-voting services, and mass-marketed or publicly-available information or publications, and the eligibility, as order execution services, of order management systems and post-trade analytics. In response to comments, we also considered the eligibility of other goods and services such as seminars, telephone / data communication lines, expert opinions, pre-trade analytics, as well as databases and software.

Commenters provided various compelling reasons for why certain goods and services should be considered eligible, whether as order execution services or research services. These reasons generally included a concern relating to not being harmonized with the views in the SEC Release.

As a result, we have made the following substantive changes:

- The proposed definition of “research services” in the Proposed Instrument now includes databases and software to the extent they are designed mainly to support the other services referred to in the proposed definition of “research services”, as is currently included in the definition of “investment decision-making services” in the Existing Provisions.

- The proposed guidance in subsections 3.2(3) and 3.3(2) of the Proposed Policy, which provide examples of goods and services that might be considered order execution services and research services, respectively, has been amended.

- The proposed guidance in section 3.5 of the Proposed Policy, which provides examples of goods and services that we would consider to be clearly outside the permitted goods and services under the Proposed Instrument, has been amended.

The summary of comments and our responses included at Appendix “A” provide more information regarding our views on various specific goods and services, and the reasons for the amendments made or not made to the Proposed Policy.

We emphasize that it is not feasible to attempt to include in the Companion Policy a comprehensive list of all possible goods and services that might be considered eligible as order execution services or research services. The examples proposed are intended solely to help an adviser with its assessment of whether a good or service meets the definition of order execution services or research services. Even if certain goods or services were specifically mentioned in a final Companion Policy, the adviser would still have to meet the obligations under Part 3 of the Proposed Instrument in order to be able to justify its use of client brokerage commissions as payment for those goods or services.

(iii) The Framework for Client Brokerage Commission Practices

In response to comments received, we have also made changes to the obligations proposed for advisers that use client brokerage commissions as payment for order execution services or research services. The substantive changes relate to the following:

- The relationship between the use of goods and services and the obligation to ensure such use is for the benefit of the client(s);
- The relationship between benefits received and particular clients;
- The ability to assess value received in relation to value paid; and
- Unsolicited goods and services.

There were no significant comments received relating to a dealer's obligations under the 2006 Instrument that resulted in substantive changes.

(a) The relationship between the use of goods and services and the obligation to ensure such use is for the benefit of the client(s)

As noted earlier in this notice, we have made amendments to the proposed definition and characteristics of research services in order to place more focus on the use of the goods and services for determining whether payment could be made for these with client brokerage commissions.

In conjunction with these amendments, we reassessed the general framework for the use of client brokerage commissions. Paragraph 3.1(2)(a) of the Proposed Instrument continues to require an adviser that uses client brokerage commissions as payment for order execution services or research services to ensure that the services benefit the client(s).

Additional guidance has also been proposed in subsection 4.1(2) of the Proposed Policy that indicates that in order to benefit a client, the goods and services obtained should be used in a manner that provides appropriate assistance to the adviser in making investment decisions, or in effecting securities transactions. The guidance also indicates that the adviser should be able to demonstrate how the goods and services paid for with client brokerage commissions are used to provide appropriate assistance.

Further, as a result of changes made to the proposed guidance regarding the characteristics of research services, and because of the refocus of the proposed framework towards the use of the goods and services, we have also removed the obligation proposed in the 2006 Instrument requiring the adviser to ensure that the research received adds value to investment or trading decisions. We believe that the additional proposed guidance relating to the use of goods and services in a manner that provides appropriate assistance should be sufficient.

(b) The relationship between benefits received and particular clients

In order to clarify that it is not our intention to require advisers to ensure that a direct connection exists between each specific good or service received and particular clients, we have made amendments to the proposed guidance.

Subsection 4.1(3) has been added to the Proposed Policy to acknowledge that a specific order execution service or research service may benefit more than one client, and may not always directly benefit each particular client whose brokerage commissions were used as payment for the particular service. The proposed guidance also indicates that advisers should have adequate policies and procedures in place to ensure that all clients whose brokerage commissions were used as payment for these goods and services have received fair and reasonable benefit from such usage.

(c) The ability to assess value received in relation to value paid

We considered those comments that suggested it might be difficult to ensure that the amount of client brokerage commissions paid is reasonable in relation to the value of goods and services received when there is a lack of cost information provided by dealers that bundle goods and services with order execution. We also considered those suggestions of adopting the SEC approach by instead requiring that a good faith determination be made of the reasonableness of the amounts paid.

We have therefore amended subsection 3.1(2) of the Proposed Instrument to now propose that the adviser must ensure that a good faith determination has been made that the amount of client brokerage commissions paid is reasonable in relation to the value of the order execution services or research services received. Additional guidance has been proposed in subsection

4.1(4) of the Proposed Policy regarding how the adviser might make this determination, including that the determination can be made either with respect to a particular transaction or the adviser's overall responsibilities for client accounts.

(d) Unsolicited goods and services

From the comments received, we note that a level of uncertainty exists regarding the treatment under the Proposed Instrument of unsolicited goods and services, and of access to goods and services provided by dealers, when the goods and services provided or offered are either not eligible under the Proposed Instrument or not used by the adviser. We also note concerns associated with the lack of control over what goods and services a dealer might send or provide access to in return for client brokerage commissions.

To address these concerns, we have proposed guidance in subsection 4.1(4) of the Proposed Policy to clarify that the relevant measure for any good faith determination under paragraph 3.1(2)(b) of the Proposed Instrument is the reasonableness of the client brokerage commissions paid in relation to the goods and services received and used by the adviser. This means an adviser that, by virtue of paying client brokerage commissions, is provided with access to goods and services, or receives goods or services on an unsolicited basis and does not use such goods and services, will not be considered to be in violation of this obligation if it does not include these in its assessment of value received in relation to commissions paid. The proposed guidance also indicates that if an adviser uses the goods or services, or considers their availability a factor when selecting dealers, the adviser should include these in its assessment.

We think this approach could also be extended to the situation when an adviser is making allocations with respect to a mixed-use good or service. We would not expect an adviser to allocate cost to, and pay with its own funds for, an ineligible portion of a good or service received on an unsolicited basis that was not used. However, the adviser would still have the obligation to make a good faith determination that the amount of client brokerage commissions paid was reasonable in relation to the value of the eligible portion of that good or service received.

(iv) Disclosure of Client Brokerage Commission Practices

Numerous comments were received in relation to the disclosure proposed in the 2006 Instrument. There were a number of arguments received for why the detailed proposed disclosure would be overly onerous to produce, and why it might be of questionable use to clients. However, we maintain the view that additional disclosure relating to the use of client brokerage commissions is necessary in order to increase the transparency to clients regarding such use, to help clients understand the services they are receiving, and to ensure appropriate rigour in the processes of all advisers.

To respond to the comments, though, we have made changes to the proposed disclosure requirements that we think provide an appropriate balance between the need for transparency and accountability, the associated burden and costs that might be imposed on advisers, and the aim for consistency with disclosure in the U.S. The substantive changes relate to the following:

- Clarification of the meaning of "client" for purposes of disclosure;
- The scope of the proposed narrative disclosure;
- The scope of the proposed quantitative disclosure; and
- Additional details to be maintained and made available upon request.

We do not believe any changes are necessary in relation to the form or frequency of disclosure.

(a) Clarification of the meaning of "client" for purposes of disclosure

As a result of the uncertainty evident from the comments regarding the meaning of "client" for purposes of disclosure, we have proposed guidance in section 5.1 of the Proposed Policy to clarify that the recipient of the disclosure should typically be the party with whom the contractual arrangement to provide advisory services exists. For example, for an adviser to an investment fund, the client would typically be considered the fund, unless the adviser is also the trustee and/or the manager of the fund, or is an affiliate of the trustee and/or manager of the fund, in which case the adviser should consider whether its relationship with the fund presents a conflict of interest matter under National Instrument 81-107 Independent Review Committee for Investment Funds that requires review by the Independent Review Committee established in accordance with that National Instrument, and whether it would be more appropriate for the disclosure to be made instead to the Independent Review Committee.

(b) The scope of the proposed narrative disclosure

We have revised the proposed disclosure requirements to increase the scope of the narrative disclosure to be provided so that clients will be better able to understand how their brokerage commissions are used by advisers as payment for goods and services other than order execution.

In formulating the new proposed narrative disclosure requirements we considered the suggestions received from commenters, and re-examined the current narrative disclosure included in Part II of the SEC's Form ADV and in the Investment Management Association's Pension Fund Disclosure Code.

The narrative disclosure requirements proposed in paragraphs 4.1(a) through (e) of the Proposed Instrument would essentially maintain requirements proposed in the 2006 Instrument for disclosure of the nature of the arrangements entered into relating to the use of client brokerage commissions as payment for order execution services or research services, as well as disclosure of the names of dealers and third parties that provided goods and services other than order execution, and the types of goods and services provided. However, we have also proposed that each dealer or third party named through this disclosure that is an affiliated entity should be separately identified, along with separate disclosure of the types of goods and services provided.

Additional narrative disclosure requirements that we have proposed include a description of the process for, and factors considered in, selecting dealers to effect securities transactions; the procedures for ensuring that, over time, clients receive reasonable benefit from the usage of the brokerage commissions charged to them; and the methods by which the determination of the overall reasonableness of client brokerage commissions paid in relation to order execution services and research services received is made.

Additional proposed guidance to help the adviser understand the expectations with respect to the proposed narrative disclosure requirements is included in subsections 5.3(2) and (3) of the Proposed Policy.

(c) The scope of the proposed quantitative disclosure

We have also revised the proposed disclosure requirements by decreasing the scope of the quantitative disclosure that was proposed in the 2006 Instrument. As an initial step in increasing accountability and transparency through quantitative disclosure, we have proposed in paragraph 4.1(f) of the Proposed Instrument to reduce the client-level quantitative disclosure requirements to disclosure of the total client brokerage commissions paid by the client during the period. In addition, in paragraph 4.1(g) of the Proposed Instrument we have proposed requiring disclosure on an aggregated basis of the total client brokerage commissions paid during the period, along with a reasonable estimate of the portion of those aggregated commissions that represents the amounts paid, or accumulated to pay for, goods and services other than order execution. Guidance has also been proposed in subsection 5.3(4) of the Proposed Policy in relation to the level of aggregation of client brokerage commissions for these disclosure purposes. The proposed guidance allows advisers flexibility to determine the appropriate level of aggregation based on their business structure and client needs.

We believe the quantitative disclosure proposed is consistent with that currently required to be made by investment funds to clients under NI 81-106, except that the proposed disclosure requires the adviser to make a reasonable estimate of the amounts paid or accumulated to pay for goods and services other than order execution, as opposed to requiring disclosure of these amounts to the extent ascertainable.[7]

We are also of the view that the scope of the quantitative disclosure requirements currently being proposed should not create any unreasonable burden on advisers, or that any apparent lack of harmonization between the quantitative disclosure requirements in the Proposed Instrument and those currently required in the U.S. and U.K. will cause any significant issues. Regardless, we will continue to monitor the developments in the U.S., including whether amendments to their disclosure regime are proposed, and are prepared to revisit the approach we have taken at that time.

Question 2:

> What difficulties might be encountered by requiring the estimate of the aggregated commissions to be split between order execution and goods and services other than order execution? What difficulties might be encountered if instead the requirement was for the aggregate commissions to be split between research services and order execution services?

[7] Consideration will be given to the need for harmonization between the disclosure requirements in the Proposed Instrument and those in the National Instruments governing disclosure by investment funds.

Question 3:

As order execution services and research services are increasingly offered in a cross-border environment, should the Proposed Instrument allow an adviser the flexibility to follow the disclosure requirements of another regulatory jurisdiction in place of the proposed disclosure requirements, so long as the adviser can demonstrate that the requirements in that other jurisdiction are, at a minimum, similar to the requirements in the Proposed Instrument? If so, should this flexibility be solely limited to quantitative disclosure given that the issues associated with differences in quantitative disclosure requirements between regulatory jurisdictions are likely greater than the problems associated with differences in narrative disclosure requirements? In addition, should there be limitations on which regulatory jurisdictions an adviser may look to for purposes of identifying suitable alternative disclosure requirements and, if so, which jurisdictions should be considered eligible and why?

(d) Additional details to be maintained and made available upon request

We have removed the requirement proposed in subsection 4.1(2) of the 2006 Instrument that would have required the adviser to maintain specifics about each good or service received in the event that a client were to make a request for such information. We are of the view that disclosure of the provider names and types of goods and services currently proposed under paragraph 4.1(c) of the Proposed Instrument should generally provide clients with sufficient detail relating to the specific goods and services paid for with client brokerage commissions.

Despite removal of this explicit requirement, advisers are reminded of the general requirement to maintain adequate books and records in order to be able to demonstrate compliance with the Proposed Instrument.

(v) Transition Period

In response to commenter concerns regarding the need to include a transition period, in particular those concerns relating to the need for time to meet the disclosure requirements proposed in the 2006 Instrument, we have proposed an effective date for the Proposed Instrument of six months from its approval date. This is included in section 6.1 to the Proposed Instrument.

We believe that the amendments made to Proposed Instrument since those proposed in the 2006 Instrument, including the removal of some of the more onerous reporting requirements, should address many of the commenter concerns, and therefore a longer transition period should not be needed.

Question 4:

Should a separate and longer transition period be applied to the disclosure requirements to allow time for implementation and consideration of any future developments in the U.S.? If so, how long should this separate transition period be?

VI. SPECIFIC REQUESTS FOR COMMENTS

In summary, we specifically request comment on the following issues:

Question 1:

What difficulties might be caused by a temporal standard for order execution services that might differ from the standard applied by the SEC, especially in the absence of any detailed disclosure requirements in the U.S.? In the event difficulties might result, do these outweigh any benefit from having a temporal standard that results in consistent classification of goods and services based on use?

Question 2:

What difficulties might be encountered by requiring the estimate of the aggregated commissions to be split between order execution and goods and services other than order execution? What difficulties might be encountered if instead the requirement was for the aggregate commissions to be split between research services and order execution services?

Question 3:

As order execution services and research services are increasingly offered in a cross-border environment, should the Proposed Instrument allow an adviser the flexibility to follow the disclosure requirements of another regulatory jurisdiction in place of the proposed disclosure requirements, so long as the adviser can

demonstrate that the requirements in that other jurisdiction are, at a minimum, similar to the requirements in the Proposed Instrument? If so, should this flexibility be solely limited to quantitative disclosure given that the issues associated with differences in quantitative disclosure requirements between regulatory jurisdictions are likely greater than the problems associated with differences in narrative disclosure requirements? In addition, should there be limitations on which regulatory jurisdictions an adviser may look to for purposes of identifying suitable alternative disclosure requirements and, if so, which jurisdictions should be considered eligible and why?

Question 4:

Should a separate and longer transition period be applied to the disclosure requirements to allow time for implementation and consideration of any future developments in the U.S.? If so, how long should this separate transition period be?

VII. AUTHORITY FOR THE PROPOSED INSTRUMENT

In those jurisdictions in which the Proposed Instrument is to be adopted as a rule or regulation, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the Proposed Instrument.

In Ontario, the Proposed Instrument is being made under the following provisions of the *Securities Act* (Ontario) (Act):

- Paragraph 2(i) of subsection 143(1) of the Act allows the Commission to make rules in respect of standards of practice and business conduct of registrants in dealing with their customers and clients, and prospective customers and clients.
- Paragraph 2(ii) of subsection 143(1) of the Act allows the Commission to make rules in respect of requirements that are advisable for the prevention or regulation of conflicts of interest.
- Paragraph 7 of subsection 143(1) of the Act allows the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the public or the Commission by registrants.

VIII. RELATED INSTRUMENTS

The Proposed Instrument and Proposed Policy are related to the Existing Provisions. The AMF and OSC intend to revoke the Existing Provisions and to replace them with the Proposed Instrument and the Proposed Policy, if and when adopted. The revocation of the Existing Provisions is not intended to take effect until the effective date of the Proposed Instrument.

IX. ALTERNATIVES AND ANTICIPATED COSTS AND BENEFITS

Most of the alternatives considered, and the anticipated costs and benefits of implementing the Proposed Instrument, are discussed in the cost-benefit analysis entitled *Cost-Benefit Analysis: Use of Client Brokerage Commissions as Payment for Order Execution Services and Research*. An updated cost-benefit analysis is being published together with this Notice and is included at Appendix “B”.

An additional alternative was proposed by the British Columbia Securities Commission (BCSC) with the 2006 Notice. The BCSC suggested that the existing duty for advisers to act fairly, honestly and in good faith, together with guidance and the use of other regulatory tools including compliance reviews and education, would be an appropriate way to regulate client brokerage commission arrangements. Although the BCSC is participating in this republication, the BCSC Board has not yet decided whether the BCSC will adopt the Proposed Instrument. The BCSC looks forward to reviewing further comments in response to the Proposed Instrument.

X. UNPUBLISHED MATERIALS

In developing the Proposed Instrument, we have not relied on any significant unpublished study, report, or other material.

XI. COMMENTS AND QUESTIONS

Interested parties are invited to make written submissions with respect to the Proposed Instrument, Proposed Policy, and the specific questions set out in this notice. Please submit your comments in writing before April 10, 2008.

Submissions should be sent to all securities regulatory authorities listed below in care of the OSC, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario, M5H 3S8
e-mail: jstevenson@osc.gov.on.ca

Submissions should also be addressed to the Autorité des marchés financiers (Québec) as follows:

M^{e} Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, Square Victoria
C.P. 246, 22e étage
Montréal (Québec) H4Z 1G3
courriel: consultation-en-cours@lautorite.qc.ca

A diskette containing the submissions should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Jonathan Sylvestre
Ontario Securities Commission
(416) 593-2378

Susan Greenglass
Ontario Securities Commission
(416) 593-8140

Tony Wong
British Columbia Securities Commission
(604) 899-6764

Ashlyn D'Aoust
Alberta Securities Commission
(403) 355-4347

Doug Brown
Manitoba Securities Commission
(204) 945-0605

Serge Boisvert
Autorité des marchés financiers
(514) 395-0337 x4358

January 11, 2008

APPENDIX A

Proposed National Instrument 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements) and Companion Policy 23-102CP

Summary of Comments and Responses

I. Response to Questions

Question 1: Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g., exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?

The majority of commenters were of the view that the Proposed Instrument should be restricted to transactions where there is an independent pricing mechanism (exchange-traded securities). The reasons given were as follows:

- the fees associated with securities traded on a principal basis (such as fixed income securities) are imbedded in the price of these securities, cannot be easily measured, and the increased costs associated with the enhanced record-keeping needed to separate execution-only and research costs would not be justified given the lack of precision in the data;
- the lack of pre- and post-trade transparency in the OTC markets makes it difficult to separate the price of a security from the additional services provided;
- it is difficult or impossible to break out the commissions from the total transaction costs for securities traded on a principal basis;
- as long as commissions are not explicitly delineated by dealers, advisers will have to make their own estimates that will likely differ and lead to inconsistent disclosure;
- it is important to remain as consistent as possible with the FSA (whose requirements apply only to equities and related instruments) and the SEC (whose requirements apply to commissions on agency transactions and fees on certain riskless principal transactions that are reported under NASD trade reporting rules);
- it would be especially difficult to break down commissions for foreign fixed income securities because dealers in those countries are not be subject to the same requirements; and
- for securities traded on a principal basis there is limited scope for research and other services besides pure execution, so there is little value in "unbundling" the cost of execution in that case.

A few commenters, however, thought that transactions done on a principal basis should also be included in the scope of the Proposed Instrument, for the following reasons:

- soft dollar information should not be hidden from investors because of the type of product, transaction or market;
- there are proprietary broker-based fixed income research services paid for via the commissions implicit in bond spreads, and the calculation of the dollar amount is straightforward: that is, dealers place specific prices on each research service, and after the execution of the trade has been agreed to, an extra amount is added and identified as a research service payment;
- if principal transactions are excluded from the Proposed Instrument, unscrupulous advisers with both fixed income and equity mandates may shift non-eligible expenses defined by the instrument from equity soft dollars towards soft dollars related to principal transactions; and
- it is unfair to closely monitor commission expenditures in public markets and not OTC markets; at the very least, participants in OTC markets should begin to disclose the amount and type of goods and services procured through the dealers.

However, there was acknowledgement of the difficulty in determining the dollar amount for bundled services received in conjunction with principal trades. Some commenters suggested that, if a decision is made to expand the applicability of the

Proposed Instrument beyond transactions where there is an independent pricing mechanism, it should apply to any transaction where a transaction-based fee can be determined or reasonably estimated.

Response:

We agree that the lack of transparency regarding fees imbedded in the price of trades conducted on a principal basis in the OTC markets makes measurement of those fees difficult. The application of the Proposed Instrument is limited to certain trades in securities where brokerage commissions are charged. We have amended the guidance in the Proposed Policy to clarify that the reference to "client brokerage commissions" includes any commission or similar transaction-based fee charged for a trade where the amount paid for the security is clearly separate and identifiable (e.g., the security is exchange-traded, or there is some other independent pricing mechanism that enables the adviser to accurately and objectively determine the amount of commissions or fees charged).

The Proposed Policy also clarifies that advisers that receive goods and services other than order execution in conjunction with trades such as principal trades where a mark-up is charged (e.g., fixed income traded in the OTC markets), will remain subject to their general fiduciary obligations to deal fairly, honestly and in good faith with clients, but will not be able to rely on the Proposed Instrument to demonstrate compliance with those obligations. An adviser could likely apply many of the principles outlined in the Proposed Instrument and Proposed Policy in these situations to assess whether its general fiduciary obligations have been met, but this assessment may be more difficult and less supportable when information is not readily available to assist with a determination of value received for value paid (e.g., the security is not exchange-traded, or there is no other independent pricing mechanism to help identify the amount paid for the security versus the amount paid for execution plus any other services).

Question 2: What circumstances, if any, make it difficult for an adviser to determine that the amount of commissions paid is reasonable in relation to the value of goods and services received?

The majority of respondents thought that the main difficulty in assessing the reasonableness of the commissions paid relative to the value of goods and services received for transactions involving execution and research was the lack of information provided by dealers on the cost components of bundled services. Some noted that, unless dealers are required to unbundle execution charges from charges for proprietary research, any attempt by advisers to determine the costs of execution and research, and whether they are reasonable in relation to the value of goods and services rendered, is merely an estimate.

One commenter, however, anticipates that the 2006 Instrument would cause "execution-only" trades to become more commonplace; in which case, industry norms would evolve as to what represents a competitive "execution-only" commission, and there will be far greater clarity as to the price being paid for goods and services relative to their value. Another commenter supported the view that "execution-only" trades may become more commonplace as total research costs come under more scrutiny, and limits are placed on the total spent for research.

Other reasons supporting the difficulty in assessing the reasonableness of value received for commissions paid included:

- while theoretical pure execution costs may be determined for a particular trade, the value of research is dependent upon the specific nature of the services provided and the circumstances under which it is provided;
- it would be difficult to determine reasonableness for an adviser that is small or just starting up, and/or if an adviser tends to execute transactions with only one dealer;
- there is a continuum of service levels ranging from low service direct market access to low to medium service algorithmic trading, to high-service execution involving liquidity search, monitoring and reporting the status of an order, feedback, execution advice and the provision of capital, all of which require different commission rates;
- in almost all cases, research received by an adviser is used for the benefit of more than one client, and a specific allocation of the benefits of research to one client would be nearly impossible;
- dealers often send advisers unsolicited research that is not used by the adviser; receipt of such research should not imply that the adviser is using commissions to pay for it; and
- advisers consider the reasonableness of commissions paid to dealers over time, and in context of the overall business relationship, not on the basis of individual trades.

In conjunction with the comments regarding the difficulties in determining whether commissions paid are reasonable in relation to the goods and services received, some commenters suggested that an approach consistent with that of the SEC, as

described in their July 2006 Release should be taken: i.e. advisers should be required to make a good faith determination that commissions paid are reasonable in relation to the value of the research or brokerage services received, either in terms of the particular transaction or the manager's overall responsibilities for discretionary accounts.

Three commenters suggested that use of a robust independent commission management system would help monetize the value of bundled research or execution services paid for with commissions. They noted that new software solutions for evaluating soft dollar arrangements would help buy-side firms quantify the services received from dealers without additional administrative burden.

Response:

We understand the concerns relating to the difficulties in determining if commissions are reasonable in relation to the order execution services and research services received, particularly in relation to bundled services. We still think it is important for an adviser to make a determination of whether the value of the goods and services received is reasonable in relation to clients' commissions paid to help ensure that clients are receiving adequate value.

We have made changes to the Proposed Instrument to require the determination to be made in good faith, and to the Proposed Policy to clarify that such a determination could be made in terms of either a particular transaction or the adviser's overall responsibilities for client accounts.

Question 3: What are the current uses of order management systems? Do they offer functions that could be considered to be order execution services? If so, please describe these functions and explain why they should, or should not, be considered "order execution services"?

Some respondents indicated that order management systems (OMSs) and order execution/ execution management systems have become so intertwined that it is difficult to separate the order management system from the execution process.

Various respondents provided examples of the current uses of order management and order execution / execution management systems. In general, commenters indicated that these systems track the progress of an order from its initiation to completion. More specific examples included:

- modeling trades / execution strategies and portfolios;
- order entry, routing and messaging;
- collection of orders for multiple point entry;
- bulking of smaller orders;
- order and trade allocation;
- direct contact from the advisers to the trading desk;
- algorithmic trading functions and direct market access;
- analytic tools to assist in the investment decision-making process, including pre- and post-trade analytics;
- facilitating the expediency of the execution process;
- analyzing portfolio strategies;
- evaluating execution quality;
- post-trade matching;
- routing of settlement instructions;
- report generation;
- security-master information;

- compliance;
- portfolio administration; and
- record keeping.

The majority of commenters generally agreed that OMSs contain portions that are used to assist in the order execution process that should be considered order execution services, such as:

- modeling trades and execution strategies;
- order routing and messaging;
- direct market access and algorithmic trading functions; and
- settlement functions such as post-trade matching, and the routing of settlement instructions to custodian banks and clearing agents.

Others added that portions of OMSs could be considered research to the extent they assist in the investment decision making process. Examples included:

- market data integration tools;
- analytic tools; and
- portfolio and strategic modeling tools.

One commenter suggested that features such as managing trade allocations, monitoring portfolio risk, or certain compliance features should qualify for soft dollar reimbursement, but should be judged on their individual characteristics as to whether they are execution or research oriented.

Many of the commenters also indicated that there are portions of OMSs that are used for administrative purposes which should not be eligible, such as compliance, accounting and recordkeeping functions.

A few commenters were of the view that OMSs should not qualify as order execution services. The reasons were:

- since the main trading function of an OMS is routing orders to venues, platforms and sell-side participants which provide order execution, the functionality that improves the quality of order execution typically resides outside of the OMS and the primary benefits of OMSs accrue to the investment manager and not the asset owners;
- tools of the trade such as the basic hardware, software, reports, communication links and other resources needed to competitively and compliantly run a contemporary mutual fund should not be considered order execution services and the costs should paid for through the management fee;
- order management services provide a strategic advantage to firms that use them, and should therefore not be paid using client brokerage commissions.

Response:

We agree with commenters that order and execution management systems can include functions that could be considered either order execution services or research services. For example, to the extent that they provide analytic and modeling tools used in the research process, or are used to assist in arranging or effecting a securities transaction, these portions may be eligible providing the adviser meets its obligations under Part 3 of the Proposed Instrument.

We also think that it would be difficult to argue that the portions of these systems used for administrative functions such as compliance, accounting and recordkeeping would sufficiently benefit the client by providing appropriate assistance in making investment decisions, or in effecting securities transactions, to justify their payment with client brokerage commissions. As a result, we think these systems would generally be considered mixed-use in nature.

Question 4: Should post-trade analytics be considered order execution services? If so, why?

The majority of commenters thought post-trade analytics should be considered order execution services for the following reasons:

- assessment of past trading is a key part of the process of achieving best execution;
- they aid an adviser in making future decisions about how trades should be allocated among the brokers who provide execution services and the method of execution that is most appropriate (e.g. trader-managed; agency/principal blocks; algorithms; direct market access, etc.);
- they can influence how, when and where an adviser decides to trade;
- post-trade analytics are a key part of how an adviser reviews the order execution process and improves it – through analysis of past trades to uncover problems in, or validate, a trading strategy, execution method or venue, dealer capabilities, etc; and
- they are all part of a continuous process, and a key part of analyzing the indirect or slippage costs within the trading process.

A number of respondents believed that post-trade analytics should be considered research. The reasons were:

- they are received and considered by the adviser before making further trading decisions, even if they are received after certain trades have been concluded;
- they include information about how well a broker conducted a particular transaction or series of transactions for an investment manager, as well as advice on liquidity and market-related timing, negotiation of the terms of a trade and other aspects of order handling;
- they assist advisers in assessing trading effectiveness;
- they assist in achieving best execution for clients; and
- they feed into an adviser's trading decisions and help promote competition between execution platforms.

One commenter noted that post-trade analytics are more properly characterized as research than order execution services, and that even though post-trade analytics are received after certain trades have been concluded, they should be considered research to the extent they help determine a subsequent investment or trading decision.

A number of commenters noted that post-trade analytics should be mixed-use products because they contain components that do not assist in making subsequent decisions, and are not received during either of the temporal standards contemplated for research or order execution services. For example, some of these commenters noted that post-trade analytics should not be eligible for payment with client commissions when used to evaluate portfolio performance for marketing purposes, recordkeeping, administrative and compliance purposes.

Response:

Many of the reasons given by commenters for why post-trade analytics might be considered order execution services are the same as those given in support of their eligibility as research services. This appears to be a result of differing interpretations of the temporal standard for order execution services. We have made amendments to the definition of research services in the Proposed Instrument and to the guidance in the Proposed Policy that should serve to clarify that the temporal standard for order execution services starts after the adviser has made its investment decision (i.e., the decision to buy or sell a security). The amendments made would therefore allow for consideration of post-trade analytics as order execution services to the extent they are used to determine a subsequent decision of how, when or where to place an order or effect a trade. These amendments relating to the temporal standard are discussed in more detail later in Section II of this response to comments.

As suggested by the guidance provided in the Proposed Policy, we also think that to the extent that post-trade analytics are used for administrative or compliance purpose, it would be difficult for an adviser to argue that these uses provide appropriate assistance, and to therefore justify paying for these portions with client brokerage commissions. As a result, we think post-trade analytics would generally be considered mixed-use in nature.

Question 5: What difficulties, if any, would Canadian market participants face in the event of differential treatment of goods and services such as market data in Canada versus the U.S. or the U.K.?

The overwhelming majority of commenters thought that the Canadian approach should be harmonized with the U.S. and U.K. approaches. The following reasons were given:

- adopting conflicting regulatory requirements would put Canada at a severe competitive disadvantage and encourage regulatory arbitrage;
- while a foreign adviser will be able to use commissions to pay for certain services, the Canadian adviser will have to absorb those costs as fixed-costs or by charging an increased fee; this may result in loss of business for Canadian advisers and any long term-decline in profitability will encourage Canadian advisers to move to other jurisdictions where the regulatory regime does not impair their ability to compete;
- if raw data feeds are excluded for Canadian advisers and not U.S. advisers, quantitative money managers in Canada would suffer a disadvantage compared to their U.S. counterparts because their data would cost more; they will have to charge higher investment management fees to international and U.S. clients than their U.S. peers, which will result in the loss of non-Canadian clients;
- if an inconsistent approach is taken, firms with offices in multiple jurisdictions would have to choose between adopting the strictest standards for all offices or suffering the inconvenience and costs of having different processes applicable to different clients' commission dollars, depending on the jurisdiction;
- differential treatment will result in additional costs for advisers in Canada who use sub-advisers in the U.S. or the U.K., as the sub-advisers will be forced to pay for the development of systems required to track the information required by Canadian regulators; and
- as Canadian mutual funds increase their holdings in foreign securities, now that the foreign content restrictions on RRSPs have been lifted, they increase their reliance on non-Canadian sub-advisers; inconsistent rules would make it difficult or nearly impossible for foreign firms to comply with Canadian rules, and foreign advisers may decide that dealing with Canadian advisers is more trouble than it is worth, effectively reducing Canadian access to necessary international expertise when it is needed most.

A number of commenters acknowledged that differences exist between the U.S. and the U.K. regulation, and noted that it is more important to harmonize the Canadian requirements regarding soft dollars with the U.S., for the following reasons:

- Canadian market participants are more familiar with U.S. standards;
- the SEC approach of focusing on how a given good or service is being used by the adviser is a preferable basis for determining eligibility for payment with soft dollars, rather than the detailed and complex categorization underlying U.K. rules;
- U.S. advisers are Canadian advisers' true competition for institutional investment management;
- U.S. domiciled advisers that work on behalf of Canadian funds and institutional clients would have a significant advantage under the Proposed Instrument as they would be able to pay for additional items (e.g. raw data feeds) with commission dollars (Canadian advisers would have to pay for these services from their operating budget, leading to lower management fees for U.S. advisers and a flight of capital away from Canadian advisers); and
- Canadian market participants that engage in cross-border business will likely try to ensure that their practices comply with SEC requirements.

Response:

We think that those commenters that suggested we harmonize our requirements with the requirements and guidance of both the U.S. and U.K. may have overlooked the differences between the requirements and guidance items in these two jurisdictions which precludes harmonizing with both. These differences were highlighted in our notice that accompanied the 2006 Instrument.

We agree that harmonization with other jurisdictions is appropriate to the extent it is justifiable in our view to do so and are aware of the importance of harmonizing with the requirements and guidance in the U.S. We have taken all the comments into consideration and have made amendments to the Proposed Instrument to harmonize requirements with those in the U.S. to the extent it is justifiable to do so.

Question 6: Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?

The majority of the commenters were of the opinion that raw market data should be considered research. Reasons given included that:

- raw market data is used to evaluate research generated by others;
- raw market data is a valuable input to advisers that perform their own research, whether on a general basis, or if used in quantitative models and for back-testing of those models;
- quantitative managers and advisers that perform their own research would be put at a competitive disadvantage if they cannot pay for raw market data to use as an input for their own research, compared to advisers that use commission dollars to purchase others' research based on the same market data; and
- allowing raw market data to be considered research would be consistent with the position taken by the SEC, and would ensure a level playing field between U.S. and Canadian managers.

In addition, some commenters stated that the proposed definition and guidance regarding research are inadequate as research does not need to contain original thought, and that data does not need to be analyzed or manipulated to express an opinion, as data can be used by advisers in forming their own opinions and therefore add value to the investment decision making process.

A couple of commenters suggested that although raw market data does not, in and of itself, add value to an investment or trading decision, if it is used as an input to analytics, or with tools for research purposes, it should be considered research. One of these commenters stated that it is incongruous to allow quantitative analytical software as research, but to not allow raw market data which is an input to that software, and added that reasoning should not be separated from the supporting data on which it was based.

Some commenters also argued that raw data has great value, otherwise Bloomberg, Reuters and their competitors would not spend a great deal of money collecting it and selling it to arms-length parties if advisers could do so themselves at a lower cost. Two other commenters added that efforts expended in sorting, ordering and presenting the data in a usable format manifests the thought, knowledge and expression of reasoning necessary to elevate raw data to the status of research. One commenter suggested that while simple quotes and volume information should not be allowed because they are cheap and readily available, some market data that is more difficult and expensive to obtain such as historical depth of market data used in the development of trading algorithms should be classified as research.

Some commenters raised a concern that if raw market data were not permitted as research, advisers would be encouraged to purchase raw data that has been slightly manipulated in order to be able to continue to pay for the underlying raw data with commission dollars. A couple of these commenters noted that the interjection of an intermediary in these circumstances would also likely result in higher costs for the raw data.

However, there were some commenters that did not believe that raw market data should be considered research if it is not analyzed or manipulated. A couple of commenters also indicated that that there is generally no value added from raw market data but that, if the data is used to support modeling applications that provide analyses used to support investment decisions, it should be permitted as there is a clear benefit.

Most of the commenters also agreed that raw market data should fall within the definition of order execution services to the extent it assists in the execution of orders.

Response:

We agree that there are situations where raw market data is used by advisers as an input to their own research efforts, and that such uses could add value to the investment decision-making process. We also agree that to view raw market data as not eligible as research services could put these advisers at a competitive disadvantage relative to those advisers that use commissions to pay for others' research based on the same market data. As a result, we have amended the examples of eligible research services in the Proposed Policy to include market data from feeds or databases that has been or will be analyzed or manipulated by the adviser to arrive at meaningful conclusions – this would include raw market data.

In making this amendment to the Proposed Policy, we also recognize that the definition of research services, and the guidance provided in relation to the characteristics of such services, would not accommodate the inclusion of raw market data and other potentially valuable inputs to the research process. We acknowledge that goods and services do not necessarily need to contain original thought, or need to be analyzed or manipulated prior to receipt, in order to be used for the benefit of clients by assisting in the investment decision-making process. We have made amendments to the definition of research services in the Proposed Instrument, as well as to the guidance on research services provided under section 3.3 of the Proposed Policy to reflect these views.

We have not changed our previous position that raw market data may also be eligible as order execution services.

Question 7: Do advisers currently use client brokerage commissions to pay for proxy-voting services? If so, what characteristics or functions of proxy-voting services could be considered research? Is further guidance needed in this area?

Four commenters indicated that they use, or are aware of the use of, client commissions to pay for proxy services, while five indicated that they do not use, or are unaware of the use of, client commissions to pay for proxy services.

Most of the commenters that addressed this question believed that proxy services could be considered research to the extent used to support investment decision-making. Examples of the characteristics and uses of proxy services that support this position included:

- proxy voting services assist advisers in assessing the impact of mergers and acquisitions, proxy contests, takeovers, and other proxy proposals on shareholder value;
- they provide analysis of matters to be voted on, along with a recommendation on how to vote proxies;
- they provide research on an investee company's standards of corporate governance or research that assists in monitoring trends in corporate governance; and
- they assess the quality of the issuer's management team or provide analyses, reports or information about the issuer.

Some of these commenters also added that although proxy services should be considered research, there are functions provided by these services that may not be considered research, such as the administrative functions of receiving, voting and returning ballots. These commenters therefore viewed proxy services as mixed-use.

Three of the commenters did not believe that proxy services should be considered research at all. Arguments included that:

- proxy services have administrative and non-research uses that should not be paid for with client brokerage commissions;
- there is no value-added component for proxy services; and
- inclusion of proxy services as research could stimulate undue, costly trading.

One of the commenters suggested that further guidance should be provided on whether components of proxy services that are used to decide how to vote proxy ballots are analogous to traditional "maintenance research" and eligible for payment with client commissions. Two commenters did not feel any additional guidance was necessary.

Response:

We agree that proxy services include products and services that could be considered research services; for example, if they provide information on corporate events such as mergers and acquisitions or constitute an analysis on corporate governance. We also agree that proxy services include functions that would not be considered research services, such as the administrative functions of receiving, voting and returning ballots.

Advisers that have determined that certain proxy services meet the definition of research services should also ensure that the services are used to benefit clients by providing appropriate assistance in making investment decisions for clients. For example, it may be difficult to support the claim that using research services provided by proxy service providers to assist with the administrative function of voting proxies (including if used to assist with decisions on how to vote proxy ballots) on behalf of clients provides appropriate assistance in making investment decisions.

As a result, we think proxy services could be viewed as mixed-use goods and services depending on both content and use. We do not believe any additional guidance is necessary at this time.

Question 8: To what extent do advisers currently use client brokerage commissions as partial payment for mixed-use goods and services? When mixed-use goods and services are received, what circumstances, if any, make it difficult for an adviser to make reasonable allocations between the portion of mixed-use goods and services that are permissible and non-permissible (for example, for post-trade analytics, order management systems, or proxy voting services)?

Eight of the commenters, accounting for approximately half of the respondents, indicated that they use, or are aware of the use by their constituents of client brokerage commissions as partial payment for mixed-use goods and services. Some of the more common types of such goods and services included:

- data services such as Bloomberg and Reuters;
- proxy services;
- order management services; and
- trade analytics.

Two commenters indicated they did not use client brokerage commissions to pay for mixed-used services. One of these indicated that costs for any mixed-use items are treated as corporate operating expenses which are paid for with “hard” dollars. The reasons given were that the allocations would require extensive documentation and could be subject to differences in opinion on the appropriateness of the allocation.

Two commenters indicated that they use, or would use, client brokerage commissions as partial payment for mixed-use goods and services only if they could achieve an objective allocation of costs, for example, if a service had separate identifiable components to which separate prices were attached. One suggested that the criteria for determining whether a mixed-use item may or may not be paid for in part with client commissions should be simple and flexible enough to allow the adviser to make a reasonable determination as to whether a given item is being used to make investment decisions.

Circumstances that can make it difficult for an adviser to make reasonable allocations between the portion of mixed-use goods and services that are permissible and non-permissible included:

- when such goods and services are received as part of a bundled services offering without any cost information from the dealers or any reliable mechanism for separating the component parts, it would be difficult and costly to estimate the value received;
- without prescriptive rules on what is permissible and non-permissible, it would be difficult to make allocations because of the subjectivity involved; and
- there is potential for divergence among dealers in the industry regarding eligible items.

Some commenters suggested approaches to deal with the difficulties in making a reasonable allocation between the permissible and non-permissible portion of mixed-use goods. For example, advisers:

- could make a good faith determination, and keep adequate books and records regarding the allocations;

- could make allocations as judiciously as possible and include their underlying rationale as part of their disclosure to clients; and

- should seek assistance from mixed-use service providers in order to break down the service into component parts that qualify or do not qualify, and obtain a separate costing for each of these components.

One respondent, however, thought that the allocation process is becoming easier as vendors are providing more guidance regarding the research, brokerage and administrative components of their products and services.

Response:

We continue to think that a mixed-use approach is appropriate. We acknowledge that making allocations can be difficult, particularly in relation to goods or services obtained in exchange for bundled commissions. However, client brokerage commissions should not be used to pay for goods and services an adviser obtains that do not meet the definition of order execution services or research services, or that are not used by the adviser to assist in the investment decision-making process or with the arranging and effecting of securities transactions.

Therefore, we think that if an adviser obtains mixed-use services with client brokerage commissions, it should make a reasonable allocation of those brokerage commissions paid according to the use of the goods and services. We have provided additional guidance in the Proposed Policy that for purposes of making a reasonable allocation, an adviser should make a good faith estimate supported by a fact-based analysis of how the good or service is used, which may include inferring relative costs from relative benefits. Factors to consider might include the utility derived from, or the duration the good or service is used for, eligible and ineligible uses.

We also continue to think that advisers should maintain adequate books and records concerning the allocations made in relation to mixed-use items in order to be able to demonstrate their good faith determination of the reasonableness of value received for commissions paid, and to demonstrate that clients have not paid for goods and services from which they do not receive benefit.

While we support efforts being undertaken by vendors to delineate the costs associated with various eligible and ineligible components, the additional guidance provided in the Proposed Policy suggests that an adviser should also be considering its use of the eligible components to assess the extent of its reliance on the vendor-provided cost allocations. For example, an adviser would have difficulty justifying its reliance solely on a vendor's cost allocations to determine the amount that could be paid for with client brokerage commissions if the adviser were to use that portion classified by the vendor as meeting the definition of order execution services or research services for purposes other than making investment decisions or arranging and effecting securities transactions (e.g., if used for administrative or compliance purposes).

Question 9: Should mass-marketed or publicly-available information or publications be considered research? If so, what is the rationale?

The respondents' views were mixed regarding the treatment of mass-marketed or publicly-available information. Specifically, 11 commenters believed that the CSA should follow the SEC's approach and focus on the target of the mass-marketed or publicly available information. That is, information and publications such as newspapers, magazines, or online news that are aimed at a broad audience should not be considered research, but certain information and publications that cater to a narrower audience, such as trade magazines, technical journals, or industry-specific publications may add value to the adviser's investment or trading decisions and should therefore be permitted. Reasons given were:

- mass-marketed information does not have a value-added component that would qualify it as research, but certain publications that are trade, industry, sector or investment specific may be used for further investment decisions;

- mass-marketed information such as newspapers, magazines, periodicals, and online news should not be considered research as they relate to a routine expense for which hard dollars should be paid;

- certain newsletters and trade journals, although publicly available, serve the interests of a narrow audience and can provide an important foundation for unique and independent research; and

- trade magazines, technical journals or industry-specific publications are particularly relevant for managers and traders when conducting research.

One of these commenters suggested, however, that mass-marketed publications in foreign countries should be allowed, as they are not immediately available to Canadian advisers. This would avoid advisers having to rely on foreign brokers to relay this information to them.

Seven commenters indicated that mass-marketed or publicly-available information or publications should not be considered research. Reasons included:

- mass-marketed or publicly available information does not contain sufficiently sophisticated analysis to add value to investment or trading decisions; and
- while there may be some specialized publications that could qualify as research, the CSA should be concerned if some specialized publications that should be considered part of an advisor's continuing education or professional development are included in this category.

Six commenters thought that any publicly available information or publications, whether they are mass-marketed or not, should be considered research. The reasons were as follows:

- mass-marketed or publicly available information may provide valuable information to those knowledgeable enough to draw conclusions from them – for example mass-marketed material from a European source (possibly in another language) is often not generally known, especially among English-speaking North American analysts;
- the fact that some information is mass-marketed and/or has a lower cost is reflective of the efficiency of the market, not whether it has value to an adviser and, therefore, if an adviser can obtain market and corporate information from such publications versus paying more to a dealer via commissions to obtain the same information, it is better for the client;
- publications like Barron's and the Wall Street Journal can, and do, include exhaustive analysis and research relevant to the investment decision-making process, and also provide information that can move markets; and
- if permissibility is only based on how widely available information is made, then it may run up against issues concerning "insider" information.

Two commenters thought that additional clarification is needed regarding the phrase "publicly available" information given that all publications that are considered to be research are "publicly available".

Response:

We agree with commenters that suggest that publications marketed towards a narrow audience, such as trade magazines, technical journals, or industry-specific publications could provide valuable assistance in making investment decisions and could therefore be paid for with client brokerage commissions.

We continue to think that mass-marketed publications, which are those that are marketed towards a broad, public audience, and are typically of low cost, are more like overhead of an adviser's business and should generally be paid for with an adviser's own funds. Further, we believe many of these types of publications often contain a wide range of information, much of which would either typically not be sufficiently related to the subject matter of the definition of research services (i.e., not related to securities, portfolio strategy, issuers, industries, etc.), or would not provide appropriate assistance in making investment decisions. For these reasons, we believe it would be difficult for an adviser to justify paying for mass-marketed publications with client brokerage commissions.

We have amended the guidance provided in the Proposed Policy to reflect these views. We have also removed reference to the term "publicly available" in relation to these types of goods and services. Even if a publication that is marketed to a narrow audience with specialized interests is publicly available to a broad audience, its availability does not make it ineligible to be paid for with client brokerage commissions.

Question 10: Should other goods and services be included in the definitions of order execution services and research? Should any of those currently included be excluded?

Two commenters did not believe any other goods and services, other than those discussed in the 2006 Instrument and 2006 Policy, should be included.

Other commenters provided examples of other goods and services for which guidance could be provided, as described below.

Seminars

Various commenters believed that seminars should be eligible for payment using client brokerage commissions. Reasons included that:

- seminars are simply an alternative medium by which to communicate information which may otherwise constitute research;
- seminars provide advisers with opportunities to refine their investment decision making process and to generate new analytical methods or investment ideas;
- blanket removal of seminars would hurt small advisers, especially those specializing in exotic areas or high tech areas where the fast pace of change requires constant innovation and learning;
- it is often cheaper for an adviser to pay for one conference and obtain access to multiple analysts than to pay commissions to each of their firms for access;
- some industry leaders only address the adviser community through these events; and
- allowances exist under NI 81-105 for mutual funds to provide seminars and conferences to dealers at no charge, or for mutual funds to pay for these on behalf of dealers, subject to certain conditions relating to the payment for the costs of travel, accommodation and personal incidental expenses.

It was suggested by one commenter that investor conferences sponsored by dealers should be eligible for soft dollar expenses so long as these expenses are reasonable in nature: for example, a trip to New York or Atlanta for a North American media conference is reasonable, while a trip to Aruba for a North American mining conference is probably not reasonable. This commenter also suggested that a compromise solution may be to allow only conference fees to be paid for with commissions.

Another commenter suggested that seminars with more social content than research could be disqualified.

Response:

We agree with commenters that seminars are one method to convey information that may otherwise constitute research services. On this basis, we have amended the Proposed Policy to reflect the view that seminars and conference fees that, in the adviser's judgement, will benefit clients and otherwise meet the requirements of the Proposed Instrument may be paid for with client brokerage commissions. The amendments to the Proposed Policy also would suggest that it would be difficult for an adviser to argue that incidental costs incurred in attending seminars or conferences, such as travel, accommodation or entertainment, could be eligible.

Telephone / Data communication lines

Four commenters supported including dedicated communication lines as an eligible order execution service for the following reasons:

- although the provision of such lines may be solely incidental and not a consideration in an adviser's order routing system decision, the lines nevertheless may be deemed to satisfy the temporal standard for order execution services;
- the lines assist advisers with the timely and accurate entry, handling or facilitation of an order by a dealer and are therefore directly related to order execution;
- banning connectivity hardware used to facilitate electronic trading and direct market access is unfair because it favours dealers and discriminates against advisers – dealers will charge the adviser for direct market access through commissions expense, but if an advisor were to choose to build a direct connection to the exchange to achieve direct market access and bypass the dealer (a very common occurrence in the U.S.), the hardware costs associated with achieving full connectivity would be precluded from order execution services; and
- such services are permitted by the SEC.

Two commenters argued that if the decision as to what goods and services can be purchased with commissions were based on their use, then eligible goods and services should also include hardware and communication lines as long as the adviser can demonstrate dedicated usage in the order execution or research processes.

One commenter was of the view that the CSA should specifically prohibit any data/voice/video communication lines (whether open or dedicated), internet fees, satellite links, and the like.

Response:

While we agree that the timeframe for using connectivity hardware/lines would fall within the temporal standard for order execution services, and acknowledge that such services are permitted by the SEC, we do not believe these are sufficient reasons to treat these any differently from other overhead type costs, such as those associated with computer hardware which might be used during the same timeframe. As a result, we believe it would be difficult for an adviser to justify paying for these goods with client brokerage commissions.

We have not provided any additional guidance on this matter in the Proposed Policy, as we believe the guidance provided under section 3.5 with respect to "Non-Permitted Goods and Services" is sufficient.

Opinions

One commenter indicated that the payment of costs for expert opinions used in the research process should be considered a research expenditure.

Another commenter stated that commissions may include other services paid for by the dealer, such as costs incurred by the dealer for providing legal advice to defend the value of an investment.

Another commenter indicated that legal advice relating to the likelihood of a company winning a patent fight should be considered eligible as research.

Response:

We agree that there may be circumstances where an adviser may seek expert opinion (for example, accounting or legal advice) in the course of assessing the value of an investment for purposes of making an investment or trading decision. We believe that such services may be eligible for payment with client brokerage commissions to the extent they meet the definition of research services and assist in making investment decisions.

We have amended the guidance provided in the Proposed Policy under section 3.5 to clarify that the legal and accounting services that would be considered non-permitted are those that relate to the management of an adviser's own business or operations.

Pre-trade analytics

Three commenters suggested that pre-trade, along with post-trade, analytics should be considered order execution services. One of these indicated that pre-trade analytics are directly linked to the execution of specific orders and are integral to the measurement of quality of execution and the achievement of best execution.

Response:

Taking into consideration the amendments made to Proposed Instrument and Proposed Policy regarding the temporal standard (discussed in more detail in Section II of this response to comments), we agree that to the extent that pre-trade analytics are used to help determine how, where and when to place an order or effect a trade, they could be eligible as order execution services.

We do not believe any additional guidance is necessary.

Databases and software

One commenter noted that the definition of research does not include "databases and software", which are currently included in the definition of "investment decision-making services" under existing OSC Policy 1.9 and AMF Policy Statement Q-20, to the

extent the databases and other software are designed mainly to support the advice and analyses expressly included in that definition. This commenter believes that the proposed definition should be expanded to expressly include such goods and services for consistency with the guidance provided in the Proposed Policy which allows quantitative analytical software to be considered research.

Response:

We agree and have amended the definition of "research services" in the Proposed Instrument accordingly. The definition now includes databases and software to the extent they are designed mainly to support the services referred to in subsections (a) and (b) of the definition. Additional guidance has also been provided under section 3.3 of the Proposed Policy.

Question 11: Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate?

Eight commenters indicated that the form of disclosure should be prescribed. Four others suggested that instead of prescribing the form of disclosure, more guidance, or a suggested format, should be provided and advisers should be allowed the discretion to develop their own forms. Reasons supporting why prescribing or providing more guidance on form of disclosure would be beneficial included ensuring that:

- disclosure is consistent and comparable between advisers;
- disclosure is understandable to clients; and
- focus is placed by solution providers on developing products that satisfy the needs of both dealers and advisers.

Commenters generally did not make suggestions regarding the form of disclosure, although two commenters suggested that advisers should be allowed to integrate the disclosure into existing client reports to help reduce costs to registrations and to reduce confusion by clients, for example, by integrating any new disclosure into the disclosure currently required under NI 81-106 for mutual funds. Another commenter suggested that the format for disclosure should appear on a single page and be enclosed with quarterly client statements, to allow for timely delivery in an investor-friendly format.

Response:

As a result of the amendments made to the disclosure requirements of the Proposed Instrument, we do not believe that the form of disclosure needs to be prescribed at this time. Should the quantitative disclosure requirements be expanded in the future, we will reconsider whether a suggested template should be provided as guidance.

Question 12: Are the proposed disclosure requirements adequate and do they help ensure that meaningful information is provided to an adviser's clients? Is there any other additional disclosure that may be useful for clients?

A. General comments

Most commenters did not believe the proposed disclosure would provide clients with meaningful information, and some believe that the disclosure could be misleading or confusing to clients. Many of these commenters, however, agreed that disclosure is important to demonstrate and ensure that adviser and investor interests are aligned. The majority of the concerns related to the proposed quantitative disclosure requirements under paragraphs 4.1(1)(b) through (d) of the 2006 Instrument. General reasons provided in support of these views included that:

- the proposed disclosure would be inconsistent with that currently required by the FSA and SEC;
- the level of detail disclosed will be too complicated for most clients to understand;
- a lack of understanding of how various factors affect the level and usage of client brokerage commissions may lead clients to misinterpret the results;
- reasonable estimates and allocations at the client level would be subjective, and inconsistencies between methods used by advisers would result;

- investors focus on total costs of the trades, total returns relative to risk, how the commission amounts were arrived at, and what the adviser took into consideration when agreeing to pay such amounts;
- it is not appropriate to compare commissions without considering market impact costs which, in many cases, are the most significant part of a trade's total cost;
- comparison of client specific information may be meaningless when compared to a blended average across all mandates, particularly for those advisers with global mandates;
- distinguishing between "execution only" and "bundled commission" rates would mislead investors to conclude that the difference in commission rate is a result of obtaining research, and ignores the argument that full-service bundled execution is often the best trading method to achieve best execution, and not merely a method to pay for research;
- pure order execution without any other services is not as common a practice anymore as advisers generally trade with dealers that can add value by offering other services;
- disclosure on an aggregate or weighted average basis does not take into consideration the varying nature of portfolios, portfolio managers, soft dollar arrangements and commission recapture agreements;
- disclosure by asset class may not be useful given that there may be multiple investment strategies employed within a single class of securities and trading can vary depending on market conditions, interest rate movements, portfolio rebalancing, etc., which may result in inconsistencies from one period to the next;
- fluctuations in trading activity from year to year can result in inconsistencies in disclosure when spread over soft dollar commission budgets, which do not fluctuate from year to year, and do not contemplate proprietary goods and services;
- commissions may be negotiated and may change due to a variety of circumstances depending on the nature of the transaction and the liquidity profile of a security;
- the question of value received for the percentage of commission allocated to any one dealer is not addressed by the disclosure; and
- clients are already inundated with disclosure.

Two commenters indicated that the proposed disclosure requirements would provide meaningful information to clients.

B. Suggestions regarding appropriate disclosure

(a) Narrative disclosure

Commenters were generally not opposed to either the proposed narrative disclosure, or to some other form of narrative disclosure. Suggestions for narrative descriptive disclosure made by commenters included:

- details on an adviser's policies and procedures regarding client brokerage commissions, which could include:
  - the adviser's soft dollar policy;
  - a description of the adviser's best execution policy;
  - the factors advisers consider when selecting dealers and trading venues, including whether research is a factor;
  - the policy for how research is purchased;
  - following the narrative format required by the SEC in Form ADV Part II, or the IMA's Level I disclosure;
- the general types of services dealers provided to the adviser;
- the nature of the arrangements;

- the names of dealers used, and the names of third parties that provide goods and services;
- a statement that all soft dollar arrangements are solely for the benefit of clients;
- a statement that trades are done on competitive terms;
- a statement that an internal process which ensures that fair value is being paid to dealers in return for services being purchased is utilized along with disclosure of situations where the adviser is aware of a material discrepancy between the value obtained and commissions allocated to a dealer over a certain time period – this would ensure that advisers are actively interpreting the data they are being required to gather and disclose, and ensure demonstration that soft dollars are being used appropriately; and
- for investment funds, including a statement in a prospectus that a fund engages in soft dollar trading, and that one of the defined risks is a conflict of interest between the manager and the fund.

(b) Quantitative disclosure

Although many commenters had concerns with the proposed quantitative disclosure, there were various suggestions made regarding what quantitative disclosure could be meaningful to clients. Various commenters also seemed to agree that, should quantitative disclosure be required, it should be accompanied by some form of narrative disclosure to add the appropriate context. The commenters' suggestions are set out below.

i) Firm-level disclosure

Some commenters stated that disclosure of commissions at the firm level was more appropriate than disclosure at the client level because clients select an adviser based on how the business is run overall, and whether the adviser will manage the money effectively.

Some commenters provided examples of firm level disclosure that could be appropriate, including:

- aggregate commissions;
- total commissions used for order execution services and research;
- commission rates paid to all brokers;
- commission rates paid to obtain order execution services and research;
- a ratio similar to a Management Expense Ratio, such as a ratio of the total costs of client commissions to assets under management;

Another commenter suggested that instead of aggregating at the firm level, commissions should be aggregated at the investment strategy level in order to provide more meaningful comparisons to client specific disclosure, although this commenter questioned the usefulness of comparisons by investment strategy. Another commenter requested clarification regarding the level of aggregation among different types of accounts (i.e., mutual funds, sub-advised accounts, private managed accounts).

ii) Client-level disclosure

Some commenters also made suggestions for disclosure that could be provided at the client level that would provide meaningful information to clients. One commenter suggested that client-level disclosure should be limited to disclosure only of the commissions paid by the client's account or portfolio to avoid issues relating to comparability between client and firm figures, particularly when the firm has a variety of differing mandates.

One commenter believed that any quantitative client-level disclosure should be based on a pro-rata estimate based on the average assets under management of the client and firm, because of the difficulties for advisers to itemize which specific services were used for an individual client account.

Another commenter suggested the percentage of client commissions allocated to soft dollars in each of the client's account(s) could be provided, along with the total value of commissions used at a firm level and the types of services purchased by the firm with soft dollars, and that such information is already captured by most technology management systems of both large an small firms in the Canadian marketplace.

One commenter argued that disclosure at the client level should be for the aggregate of all of a particular client's accounts, and not on an account-by-account basis. This commenter also suggested that only where client-specific goods or services were paid for using soft dollars, these should be specified in any client-specific disclosure. For any goods and services used firm-wide and paid for with soft dollars, a pro-rata amount of this expense should be allocated to the client, using the relation between client assets and total firm assets as a proxy. Another commenter supported the view that a pro-rata approach for allocating services among clients may provide a reasonable compromise for client-level allocation concerns.

iii) Other comments relating to quantitative disclosure

One commenter suggested the minimum level of disclosure should include: total commissions charged to accounts; total directed commissions charged to accounts; total soft dollars earned by accounts; total soft dollar expenditures made by the firm; and soft dollar expenditures broken down by category (i.e., independent research, mixed-use services, bundled research, other). This commenter also suggested that, along with itemizing and describing each soft dollar vendor on a firm-wide basis, the total cost of each service provided should be disclosed (e.g., 17 Bloomberg terminals, data aggregation and analytical tools - $100,000).

One commenter suggested requiring disclosure of the average dollarized commission rates per unit of security from efficient electronic trading systems as the core commission rate benchmark, compared against the weighted average cost of trades per unit of security in Canadian cents for the current year and 4 previous years.

Another commenter expressed that if the proposed client level disclosure was implemented, commissions should be expressed as a percentage of value rather than in cents/share.

One commenter supported a certain level of statistical disclosure, such as the average commission rates paid, the percentage of commissions executed at full service versus execution-only rates, and the percentage of commissions used for third-party research.

One commenter suggested that minimum standards should be set which include the frequency of disclosure and the scope of information required (e.g., the total amount of commissions used for execution versus other services, the costs of services provided, the allocation and weighting among dealers of the services provided, average/high/low commission rates paid per dealer).

One commenter also made the suggestion that the *Statement of Portfolio Transactions* should be reinstated as an on-request disclosure item.

Response:

In order to attempt to balance the need for accountability and transparency with the need for consistency with disclosure in the U.S., and with the associated burden and costs that might be imposed on advisers, we have determined that one method to achieve this balance would be to expand the proposed narrative disclosure. The proposed narrative requirements would maintain requirements proposed in the 2006 Instrument for disclosure of the nature of the arrangements entered into relating to the use of client brokerage commissions as payment for order execution services or research services, as well as disclosure of the names of dealers and third parties that provided goods and services other than order execution and the types of goods and services they provided. Additional proposed disclosure requirements include a description of the process for, and factors considered in, selecting dealers to effect securities transactions; the procedures for ensuring that, over time, clients receive reasonable benefit from the usage of their brokerage commissions; and the methods by which the determination of the overall reasonableness of client brokerage commissions paid in relation to order execution services and research services received is made. Additional guidance has also been proposed in the Proposed Policy regarding these requirements.

We have also amended the quantitative disclosure requirements that were initially proposed. As an initial step in increasing accountability and transparency through quantitative disclosure, we propose reducing the client-level quantitative disclosure requirements to disclosure of the total client brokerage commissions paid by the client during the period. In addition, we propose requiring disclosure on an aggregated basis of the total client brokerage commissions paid during the period, along with a reasonable estimate of the portion of those aggregated commissions that represents the amounts paid or accumulated to pay for goods and services other than order execution. Guidance has also been proposed in the Proposed Policy regarding the level of aggregation of client brokerage commissions for these disclosure purposes. The proposed guidance allows advisers some flexibility to determine the appropriate level of aggregation based on their business structure and client needs. We believe the quantitative disclosure proposed is relatively consistent with that currently required to be made by investment funds to clients under NI 81-106, except that the proposed disclosure requires the adviser to make a reasonable estimate of the amounts paid or accumulated to pay for goods and services other than order execution, as opposed to requiring disclosure of these amounts to the extent ascertainable.

We will continue to monitor the developments in the U.S., including whether amendments to their disclosure regime are proposed, and are prepared to revisit the approach we have taken at that time.

C. Specific Comments

(a) Separate disclosure requirements for bundled and unbundled services

Some commenters questioned the usefulness of, or had concerns regarding the separate disclosure requirements for bundled and unbundled services. One commenter argued that it is the type of good or service received, not its source, that is most relevant. Other commenters indicated that making the differentiation would discriminate against independent research providers to the detriment of investors and the providers:

- by adding costs for advisers that use independent research;
- by perpetuating the myth that bundled goods and services are somehow unique and should be afforded special status; and
- because it could provide incentives to send trades to dealers for reasons other than best execution.

One commenter was not opposed to the separate disclosure of third party goods and services, and stated that they were already complying with this requirement under NI 81-106.

One commenter questioned the practical application of the third-party disclosure proposed in subparagraph 4.1(1)(c)(iii), as it was that commenter's understanding that an investment adviser likely does not have access to commission sharing arrangements between broker-dealers and third parties, and that it was not clear whether the subparagraph would apply in broker to broker arrangements, for example, through "step out" transactions between an executing and introducing broker. The commenter indicated that in such situations, the adviser is generally not aware of the commission split.

To resolve some of these concerns, five of these commenters suggested that bundled and independent research should be treated the same for reporting purposes. One of these five commenters added that bundled commissions are the least transparent aspect of transactions costs, are estimated to represent a larger share of commissions, and could therefore be misleading to investors if excluded in the quantification of total soft dollar expenditures. This commenter suggested the CSA could either merge the two categories proposed in subparagraphs 4.1(c)(ii) and (iii) and delete the additional disclosure requirements for third party research, or maintain the differentiation but require advisers to make an effort to ascertain from the dealer the amount of proprietary research included in bundled services or to estimate the amount when it cannot be ascertained. Similar suggestions were received from other commenters to break the amounts out following the same methodology as followed under the IMA Pension Fund Disclosure Code in the U.K.

Two other commenters suggested that disclosure of the ratio of the overall cost of research to assets under management, along with a description of the research received, is far more meaningful to investors.

Response:

We agree with commenters that requiring different levels of disclosure for each of these types of goods and services could result in discrimination against those goods and services provided by third parties. The original intention was to require dealers to disclose the amounts which are more readily available and more easily quantifiable.

In revising our proposed disclosure requirements by requiring advisers to make a reasonable estimate of the portion of the aggregated commissions that represents the amounts paid or accumulated to pay for goods and services other than order execution, we have attempted to remove any possible discriminatory results by treating both bundled and unbundled goods and services equally for purposes of this requirement. If it appears that further transparency is required, we will revisit the degree to which the estimate should be broken down further between bundled and unbundled goods and services.

(b) Demand by clients for additional disclosure

One commenter questioned whether there is any evidence to support the proposition that clients demand the proposed level of disclosure, in light of the significant costs. Another commenter indicated it had provided the proposed disclosure on a trial basis to two sophisticated clients, and both clients questioned its usefulness. Other commenters provided details regarding the frequency of requests from clients for additional disclosure relating to soft dollar arrangements and practices:

- three commenters stated that clients are not asking for additional information;
- one commenter indicated that of its hundreds of institutional clients, thousands of private clients, and tens of thousands of mutual fund clients, only 5 clients expressed an interest for more detailed disclosure in the last year; and
- one commenter that represents IC/PMs in Canada indicated that one member that has national presence across Canada has indicated that neither institutional nor private clients have shown any interest in receiving this level of extremely detailed disclosure – and that the company receives approximately 5 requests per year for information on client specific commission usage, none of the requests being from private clients.

To address these concerns, some commenters suggested that clients should be given the option to receive the proposed detailed disclosure, similar to options given under other continuous disclosure requirements such as those relating to financial statements and the Management Report of Fund Performance. Two of these commenters indicated that the practice now is to respond on demand to a client's specific request for disclosure on soft dollar practices, and these commenters believe that not all clients would request the proposed disclosure if given the option, nor would they welcome the associated increase in costs. One of these commenters also stated that if clients were given the option to not receive the detailed disclosure, requirements to provide some general narrative disclosure would be useful to clients, while another commenter suggested that a requirement to disclose the availability of the optional disclosure would be needed to ensure clients were aware of its availability.

A few commenters suggested consulting with clients or forming a task force before disclosure is prescribed. Such consultations were suggested to ensure that the wide spectrum of reporting arrangements between advisers and clients were given appropriate consideration, and to ensure that clients have had an opportunity to understand the options so that they can determine what disclosure best suits their needs.

Response:

We do not believe that the current requirements under the Existing Provisions, which make the disclosure available upon request, are sufficient to help ensure clients understand how their brokerage commissions have been used for purposes other than as payment for the primary brokerage function. Further, we continue to believe that increased disclosure in this area is necessary to ensure accountability on the part of the adviser relating to the use of these commissions; however, we acknowledge the need to balance the need for more transparency with practicality and have therefore simplified the quantitative disclosure.

(c) The meaning of "client" in relation to the application of the disclosure requirements

Some commenters questioned whether disclosure to "clients" was intended to include retail clients of investment funds. One commenter also questioned how to interpret the meaning of "client" for disclosure to clients with private managed accounts or sub-advised accounts, in addition to retail clients of mutual funds. Generally, these commenters did not believe that the proposed disclosure should apply to investment fund clients because:

- these clients already receive appropriate disclosure of soft dollar arrangements under NI 81-106;
- retail clients are typically not in any position to negotiate the management agreements and oversee the adviser's investment activities;
- the Independent Review Committees (IRC) to be implemented under NI 81-107 will be responsible for managing the conflicts of interest the Proposed Instrument intends to address; and
- disclosure to the individual security holder of investment funds would require a fundamental overhaul of client reporting systems.

Some of these commenters indicated that if, for advisers to investment funds, "client" was intended to mean the fund itself, that this may not be appropriate depending on the fund structure. A couple of these commenters indicated that where the fund is the "client", the fund is most commonly established as a trust, and the manager is typically the trustee as well as the adviser for the fund. One of these commenters added that, with the exception of Canadian corporate-structure funds, which are few in number, there is no separate fund board of directors or other entity that could properly be considered the adviser's "client", as is the case in the U.S. The end result in the situations where the manager is both the adviser and trustee, would be the adviser making the disclosure to itself. The suggestion was made that instead the required disclosure could be made to the IRC. This commenter also added that those funds that have already established IRCs have indicated that these IRCs have been reviewing the firm's soft dollar policies as part of their oversight role, but have not had any need for additional disclosure.

Another commenter stated that disclosure is only truly useful if those responsible for the funds are required to evaluate the information and ensure that clients' commissions have been used appropriately and reasonably. This commenter argued that it would not be reasonable to expect the average "person in the street" to read or effectively evaluate the proposed disclosure, and that it should be trustees, boards of directors, or others with fiduciary responsibilities that should be the target of the disclosure.

Response:

We have proposed guidance under section 5.1 of the Proposed Policy that clarifies that the recipient of the disclosure should typically be the party with whom the contractual arrangement to provide services exists. For example, for an adviser to an investment fund, the client would typically be considered the fund, unless the adviser is also the trustee and/or the manager of the fund, or is an affiliate of the trustee and/or manager of the fund, in which case the adviser should consider whether its relationship with the fund presents a conflict of interest matter under National Instrument 81-107 Independent Review Committee for Investment Funds that requires review by the Independent Review Committee established in accordance with that National Instrument, and whether it would be more appropriate for the disclosure to be made instead to the Independent Review Committee. Disclosure to retail clients of mutual funds about the use of their commissions would be governed by the provisions of NI 81-101 and NI 81-106, and any other relevant provisions.

Question 13: Should periodic disclosure be required on a more frequent basis than annually?

Most commenters believe that annual disclosure should be sufficient. One suggested that more frequent disclosure could cause a false sense of volatility as accounts, mandates, and soft dollar budgets often change on an annual basis. Another commenter indicated that while they have already been reporting to clients annually on the details of goods and services paid for with commission dollars, there have been no requests for more frequent reporting.

Alternative suggestions for the frequency of disclosure provided by a couple of commenters included:

- as often as the client and adviser complete a performance review;
- on a semi-annual basis, as required for the IMA Level II disclosure requirements; or
- on a regular and consistent basis, in particular to the Boards, Trustees, or other persons with oversight responsibilities for advisers.

Response:

We agree with the view of most commenters that periodic disclosure is not required on a more frequent basis than annually.

Question 14: What difficulties, if any, would an adviser face in making the disclosure under Part 4 of the 2006 Instrument?

A. General comments

Commenters were generally concerned that the proposed disclosure requirements would be difficult to meet, and believe that these difficulties would result in costs that exceed any benefits to clients. Various commenters were specifically concerned with the requirement to make disclosure by client, and by security class, particularly for smaller firms. Reasons for, or causes of, the difficulties that were provided include:

- systems do not currently track the amount paid out as soft dollars for a given service on behalf of each individual account;
- goods and services are often obtained at a macro level for the benefit of multiple clients, not at the client level, resulting in imprecise allocations at the client level, and the benefits to clients may change over time;
- trading activity is often conducted for multiple clients at once, or through pooled investment funds, so providing data at the individual client level would be burdensome and would be further complicated when mixed-use goods and services are involved;

- dealers providing bundled services are not required, and have not taken measures, to provide information on bundled goods and services to advisers;
- trading activity and the payment for goods and services do not always occur at the same time;
- more than one dealer may be used to pay a single third-party service invoice;
- fees on trades in foreign jurisdictions may not be charged on a "per unit" basis, but rather as a percentage of trade value;
- currently available software packages that may address U.K. and U.S. requirements are not currently configured to address the proposed Canadian disclosure requirements; and
- relying on third-party software vendors could result in the reporting of inaccurate information, which the adviser will still have to reconcile.

However, as noted earlier, one commenter indicated that disclosure of the total value of commissions used, the types of services purchased with soft dollars, and the percentage of client commissions allocated to soft dollars in each client's account(s) should not be difficult as such information is already captured by most technology management systems of large and small firms in the Canadian marketplace.

Response:

We note that the general comments relating to difficulties with meeting the disclosure requirements in the 2006 Instrument centre around difficulties with meeting the client-level and security-class-level disclosure. Due to the lack of precision regarding costs for bundled services, as well as timing differences between the trades that generate the commissions and the payment with those commissions for the goods and services, we agree that the detailed disclosure would be difficult to make with any degree of accuracy. We believe the amendments that we are currently proposing, discussed earlier under the response to Question 12, should address these general concerns.

B. Specific comments

(a) Requirements under subsection 4.1(2) of the 2006 Instrument

Many commenters indicated that the proposed requirements under subsection 4.1(2) to maintain specific details of the goods and services would be difficult, onerous and costly to track for the following types of goods and services:

- bundled services where no separate paper trail exists for the additional goods and services;
- intangibles that constitute research, such as communications with dealers by telephone, e-mail, mail, and in-person meetings; and
- items received on an unsolicited basis.

Some commenters also questioned the usefulness to clients of this proposed requirement. Reasons included that such an approach is inconsistent with an adviser's view toward measuring the overall benefit to its clients of the services received, and that such details would have little relevance to any one client.

Others suggested that the general requirement on all advisers to maintain adequate books and records is sufficient, and that advisers should be permitted the flexibility to determine how to document the goods and services received, so long as the records provide adequate documentation that only permissible uses were made of client brokerage commissions. Another commenter suggested that a concept of materiality could be introduced to manage the level of detail maintained under this proposed requirement, while another suggested adding a requirement that dealers must provide advisers with the needed information.

However, three commenters were not opposed to this proposed requirement, although one of these questioned how an investor would or could use this information. One commenter suggested the details could be maintained as a supplement to the narrative disclosure proposed in paragraph 4.1(a), so long as the quantitative disclosure was removed, while another commenter suggested that if such details were to be maintained, clients should be advised of the availability of the details, for example by a prominent note in a fund prospectus or in the Management Report of Fund Performance.

Response:

We believe that disclosure of the names of service providers and types of goods and services that is required under paragraph 4.1(c) of the Proposed Instrument should generally provide clients with sufficient detail relating to the specific goods and services paid for with client brokerage commissions. On this basis, we have removed the requirement previously proposed under subsection 4.1(2) of the 2006 Instrument to maintain, and make available upon request, more specific information about the goods and services received.

Despite removal of this explicit requirement, advisers are reminded of the general requirement to maintain adequate books and records in order to be able to demonstrate compliance with the Proposed Instrument.

(b) Differences in disclosure requirements between the 2006 Instrument and the U.S. and U.K.

Various commenters noted the differences between the proposed disclosure and the requirements in the U.S. and U.K., and some believed the disclosure in the 2006 Instrument was more stringent. Most of these commenters suggested that disclosure requirements in Canada should more closely resemble those in the U.S., or the U.K. (including the Level I and Level II of the IMA Disclosure Code). Reasons provided in support of this suggestion included that:

- more consistency would allow firms that report to clients in different jurisdictions to standardize their reporting processes;
- the information to be disclosed under the IMA Disclosure Code would provide plan administrators and trustees with the information needed to assess value from their commission spend;
- it may be difficult for Canadian advisers to obtain all relevant information from U.S. sub-advisers; and
- disclosure requirements should be market guided as in the U.K., and not prescriptive.

One commenter suggested a flexible disclosure regime should be permitted given that advisers currently take various approaches to disclosing brokerage practices, which often already includes following either of the U.S. or U.K. disclosure requirements.

Response:

We agree that imposing different disclosure requirements than other jurisdictions regarding the subject matter of the Proposed Instrument could cause difficulties for advisers that report to clients or hire sub-advisers in multiple jurisdictions. As stated earlier, we believe that harmonization with other jurisdictions is appropriate where justifiable to do so, and we understand that there is a general preference for harmonizing with the U.S., as opposed to the U.K.

However, the current disclosure requirements in the U.S. under the SEC's Form ADV Part II and Form N-1A that specifically address the use of client brokerage commissions for purposes of obtaining goods and services other than order execution centre primarily around narrative disclosure, and we believe that a certain level of quantitative disclosure should be included. At one point, the SEC had indicated they would be issuing proposed amendments to their disclosure regime, but we are unaware of any such proposal having been made to date. As noted earlier, we will continue to monitor the developments in the U.S. regarding whether amendments to their disclosure regime are proposed, and are prepared to revisit the approach we have taken at that time.

(c) Disclosure of dealer and supplier names, along with the types of goods and services provided

A few commenters indicated that requiring disclosure of the names of dealers and suppliers utilized by the adviser would result in the disclosure of proprietary information which could negatively impact an adviser's competitive advantage – particularly in relation to competitors in foreign jurisdictions that are not required to disclose this information.

It was also stated that providing the names of all dealers and all types of goods and services provided by each of the dealers would be duplicative given that advisers can obtain the same types of services from different dealers (e.g. traditional research reports) and, for clients with global investment mandates or for investors in global funds, this disclosure could extend to over 100 dealers – which would cause tracking difficulties and result in lengthy reporting.

A few commenters also suggested that such disclosure would not be useful to clients, and that providing information on the types of broker-dealers used was more relevant.

Response:

We note that there is an existing requirement for investment funds to provide similar disclosure to the public in the Annual Information Form under Form 81-101F2. For advisers, other than those whose clients are investment funds where similar public disclosure requirements are imposed on the fund itself, this disclosure would be made to the client and not to the public in general. As a result, we question the degree to which competitive advantage would be harmed from such disclosure. We continue to think such disclosure would be useful to clients as it would help them to better understand the ongoing use of their brokerage commissions, while increasing accountability on the part of the adviser. We have made amendments to the Proposed Instrument to clarify that such disclosure would be required in those situations where goods and services other than order execution have been provided, and to add that associating the types of goods and services received to each dealer or third party that provided that good or service is not necessary, except in the case of goods and services provided by affiliated entities. Affiliated entities and the types of goods and services each such entity provided should be separately identified. We have also added guidance to the Proposed Policy to provide the adviser with some flexibility as to the scope of the disclosure to be provided to clients in relation to this requirement.

(d) Application of disclosure

Another commenter suggested that it was not clear how the requirement for advisers to make certain disclosures, if they enter arrangements with dealers to use client commissions "as payment for" services other than order execution, should be applied in relation to bundled services. This commenter indicated that the payment of brokerage commissions to dealers that also provide research services should not constitute a "payment for" research. This commenter suggested that other factors should be present in order for commissions to be deemed to include a payment for research, such as an agreement to pay higher commission rates than the dealer otherwise charges, or a commitment to execute a specified trading volume. This commenter recommended that bundled brokerage transactions that do not include a binding commitment to pay for research should be excluded from the disclosure requirements. Another commenter stated that when "soft dollar" arrangements are made between an adviser and a dealer, there must be a soft dollar agreement completed and kept on file by both parties.

Another commenter suggested that if brokerage commissions paid out of a particular client account were never to be used as payment for goods and services other than order execution, the adviser should not be required to disclose to that client the brokerage commissions generated by the firm, or the nature of soft dollar arrangements entered into by the firm in relation to other clients.

Response:

Section 4.1 of the Proposed Policy includes the statement that the Proposed Instrument applies in the cases of both formal and informal arrangements, including those informal arrangements for the receipt of such goods and services from a dealer offering proprietary, bundled services. As a result, the disclosure requirements also extend to client brokerage commissions used in informal arrangements with dealers offering proprietary, bundled services. We believe the amendments made to the disclosure requirements should be sufficient to address the concerns raised by commenters relating to the difficulties involved in complying with the Proposed Instrument when such arrangements are in place.

To the extent that an adviser can isolate a client account, or a group of client accounts, from its other clients whose brokerage commissions are used as payment for goods and services other than order execution, the adviser would not be required to make the disclosure to these clients.

However, given that the disclosure requirements apply whether the arrangements under which client brokerage commissions used are formal or informal (including those with dealers offering proprietary, bundled services), it may be difficult to support a claim that brokerage commissions paid by a particular client would never be used as payment for goods and services other than order execution if commissions charged to that client have been paid to a dealer that provides the adviser with proprietary, bundled services.

Question 15: Should there be specific disclosure for trades done on a "net" basis? If so, should the disclosure be limited to the percentage of total trading conducted on this basis (similar to the IMA's approach)? Alternatively, should the transaction fees embedded in the price be allocated to the disclosure categories set out in sub-section 4.1(c) of the 2006 Instrument, to the extent they can be reasonably estimated?

Most commenters reiterated the views they expressed in response to Question 1 that the Proposed Instrument should not apply to securities traded on a principal basis. They noted that determining the commissions on a principal basis presents problems unless published bid-ask spreads are recorded on the trade contract.

Some commenters thought that, if the Proposed Instrument were to apply to trades done on a "net" basis, the approach for disclosure should be similar to that taken by the IMA, i.e. the disclosure should be limited to the percentage of total trading conducted on this basis. The reasons given were that there is no generally accepted method of breaking out commission fees and, given the inherent lack of precision in identifying the amount of embedded commissions, any approach to establishing commissions will be an approximation at best. One commenter thought that the clearest disclosure is achieved by applying a percentage to the aggregate amount of principal trading. However, another respondent thought that the reporting of data using estimates should be discouraged or at least supplemented with further guidance on what is, and is not, reasonable.

Response:

We have reduced the scope of the application of the Proposed Instrument to apply only to those trades where brokerage commissions are charged (i.e., where a commission or similar transaction-based fee is charged and the amount paid for the security is clearly separate and identifiable). See the response to Question 1 above for more information.

II. Other Comments

Transition period

Various commenters believed that a transition period is necessary. The more common reasons given included that:

- mixed-use service providers would need time to adjust their invoicing practices, as was suggested is currently being done in the U.S. as a result of the SEC's 2006 Release;
- advisers would need time to assess their existing practices to identify gaps and make any necessary changes;
- many traditional soft dollar arrangements are negotiated on an annual basis;
- changes would need to be made to accounting and reporting systems to meet the more detailed disclosure requirements;
- other CSA initiatives include a transition period; and
- the SEC and FSA had permitted a 6-month transition period.

One commenter suggested that major changes in processes for brokers, advisers and clients will be required, given that existing procedures are the consequence of a half century of industry practice and tradition. This commenter also noted that existing procedures, or the lack thereof, are deeply embedded. This commenter believes that the 2006 Instrument would lead to more "execution only" trading and dealers would have to implement competitive business plans to address "unbundling", so it would take several quarters to establish competitive pricing. In addition, this commenter suggested that although there are vendors that specialize in commission management software, it would still take time for advisers to identify needs and fully establish the necessary systems.

Further this commenter argued that clients may not have a complete appreciation of the related governance issues, and the introduction of the 2006 Instrument would represent a new and material addition to trustee oversight responsibilities. The process of education and consultation by trustee/investment boards will require considerable time to fully assimilate and complete. This commenter recommended that milestones be established in consultation with dealers, advisers and clients, for example: the date advisers should have completed commissions usage policies; the date aggregate commission payment arrangements are disclosed to clients and regulators; and the date by which the advisers will be in full compliance with the Proposed Instrument, including the proposed detailed disclosure.

Another commenter stated that any transition period should allow for advisers to initially make the prescribed disclosure on a best efforts basis, followed by a more rigorous standard when compilation and allocation of the data is possible.

Response:

We have amended the Proposed Instrument to include an effective date which is six months after the Proposed Instrument's approval date.

We believe that the amendments made to the Proposed Instrument, including the removal of some of the more onerous reporting requirements, should address many of the commenter concerns, and therefore a longer transition period should not be needed.

Costs

Some commenters did not believe the estimate of costs in the Cost Benefit Analysis was realistic, and that any benefits that might accrue to clients would not exceed the costs. Reasons for these views included:

- the technology costs associated with modifications to existing trade order management and compliance systems to monitor, track, allocate and report soft dollars was not considered;
- there would be human resource costs associated with hiring and training new compliance, investment management and back-office personnel to administer the process contemplated by the 2006 Instrument;
- there would be costs associated with ensuring ongoing compliance; and
- there would be indirect costs passed on to advisers by sub-advisers from other jurisdictions in order to comply, either directly or indirectly, with the 2006 Instrument.

Two commenters added that the increase in costs for advisers, and for service providers that will have to modify their own processes, will ultimately be passed on to clients through higher transaction costs or management fees. In addition, the higher fixed costs from transferring formerly permissible goods to non-permissible may also result in higher barriers to entry, or have other detrimental impacts on smaller investment management firms seeking to compete with larger firms.

One commenter raised a concern that firms that hold assets for their clients on a segregated basis will have a higher cost of compliance, which will further increase the fee gap between segregated and pooled products.

Response:

We believe that the amendments we have made to the Proposed Instrument should help to address many of the above concerns relating to costs, in particular those relating to disclosure. We do not believe that the costs of complying with the non-disclosure-related requirements of the Proposed Instrument will be significant for firms that have been complying with the Existing Provisions. There have been little or no changes to the definitions of order execution services and research services from the Existing Provisions, and in accordance with the general principles of acting in the best interests of clients, we would expect that advisers are currently monitoring and tracking the use of client brokerage commissions to some degree.

Allocation of benefits to clients

Some commenters raised concerns with the proposed requirement to ensure that the order execution services or research acquired are for the benefit of the adviser's client(s), and with the related guidance that states that advisers should have adequate policies and procedures in place to allocate, on a fair and reasonable basis, the goods and services received to clients whose brokerage commissions were used as payment for those goods and services.

Some commenters believe the requirement and guidance imply that there must be a direct connection between the specific good or service received and the client whose account generated the commissions that paid for that specific good or service, even though the goods and services received typically benefit a number of clients and may not always benefit the specific account that generated the commissions. One commenter added that the standard would require an adviser to ignore or unlearn the information or knowledge gathered through research acquired with one client's commissions when making decisions for another client.

Another commenter argued that the more that goods and services are bundled together with order execution, the more difficult it is to determine if the commission dollars paid have been allocated correctly to the clients who have received the benefit.

It was suggested by one commenter that the requirement should be revised to require that the goods or services benefit "one or more of" the adviser's client(s).

Response:

We acknowledge that goods and services received typically benefit a number of clients and may not always be specifically matched, dollar-for-dollar, to each client account generating the commissions. We have amended the guidance provided under Part 4 of the Proposed Policy to clarify that a specific order execution service or research service may benefit more than one client, and may not always directly benefit each particular client whose brokerage commissions were used as payment for the particular service. However, the adviser should have adequate policies and procedures in place to ensure that all clients whose brokerage commissions were used as payment for these goods and services have received fair and reasonable benefit from such usage.

Unsolicited goods and services

Some commenters questioned whether the requirements under the Proposed Instrument and Proposed Policy would apply to unsolicited goods and services. Concerns raised in relation to unsolicited goods and services arose because of either the proposed requirement for advisers to evaluate goods and services received against commissions paid, or the proposed disclosure requirements.

Two commenters indicated that advisers often do not have the discretion to negotiate which goods and services will be received in conjunction with a bundled services offering. They both raised the concern that without any cost information from the dealers or any reliable mechanism for separating the component parts, it would be difficult and costly for an adviser to estimate the value of any unsolicited services received, and in some cases, this could not be done with any degree of fairness or accuracy.

Another commenter indicated that because of the way that dealers offer and deliver information to their clients today, it is inevitable that advisers will have access to and obtain, on an incidental basis, information and materials from the entities with whom they place client orders. This commenter indicated that a problem then arises when all or a portion of the information and materials made available to, or received by, an adviser are not permitted to be obtained in consideration of client commission dollars. For example, in some cases advisers have access to a protected website to collect daily research reports, but the site also includes information that does not satisfy the definitions of research or order execution services. In addition, a dealer might send its clients copies of articles or other newsletters that may not be considered research. This commenter suggested that so long as an adviser is not taking such incidental services into consideration when making its evaluation of the dealers services in relation to the commissions paid, then the availability or receipt of the goods and services in question should not be perceived as a violation of the Proposed Instrument. This commenter also noted that an adviser might, however, violate their fiduciary duties if this approach was taken too far.

Another commenter echoed some of the same concerns regarding goods and services being made available by, but not purchased from, a bundled service provider, which could include eligible and ineligible services that may not be a factor in a particular adviser's decision to place trades with that particular bundled service provider. A money manager may have selected a specific broker-dealer to execute trades based upon its skill in placing a difficult trade, its position in the market, or any of the myriad of factors considered when evaluating best execution. In those cases where a dealer includes, as part of its bundled offering, research and/or services not requested or used by a money manager, the commenter argues the traditional elements of a "soft dollar" arrangement are not present, and the framework set forth in the Proposed Instrument should not apply. In addition, this commenter argued that there are no inherent conflicts of interest when the adviser is being provided goods or services on an unsolicited basis which they will not use, but acknowledges that to the extent the adviser uses those unsolicited goods and services, the requirements of the Proposed Instrument should apply. Another commenter had similar concerns, but suggested that advisers and regulators should instead consider whether there is an explicit commitment to execute a minimum volume of orders through the broker to pay for research, when determining whether commissions paid by an adviser include payments for research.

One commenter requested that the CSA clarify whether an adviser must disclose soft dollar transactions when not asking for, or using the additional services, or if unaware that the services are bundled.

Response:

We appreciate the difficulties involved with complying with the Proposed Instrument when goods and services are received on an unsolicited basis, particularly when received as part of a bundled services offering.

We have amended the Proposed Policy to provide additional guidance with respect to unsolicited goods and services in relation to an adviser's obligation to ensure that a good faith determination has been made that the amount of client brokerage commissions paid for order execution services or research services is reasonable in relation to the value of the order execution services or research services received. This determination can be made either with respect to a particular transaction or the adviser's overall responsibilities for client accounts. The relevant measure for any such determination is the reasonableness of the amount of client brokerage commissions paid in relation to the order execution services and research services received and used by the adviser. An adviser that, by virtue of paying client brokerage commissions, is provided with access to goods and services, or receives goods or services on an unsolicited basis and does not use such items, will not be considered to be in violation of its obligations if it does not include these in its assessment of value received in relation to commissions paid. To the extent that an adviser makes use of any such goods or services, or considers the availability of such goods or services a factor when selecting dealers, the adviser should include these in its assessment of value received for commissions paid.

We think this guidance should also apply when making allocations with respect to a mixed-use good or service. An adviser would not be required to allocate cost to, and pay with its own funds for, an ineligible portion of a good or service received on an unsolicited basis that was not used. However, in this case, in our view the adviser would still have the obligation to make a good faith determination that the amount of client brokerage commissions paid was reasonable in relation to the value of the eligible portion of that good or service received.

We also think this guidance can similarly be applied to determinations in relation to the disclosure of information about unsolicited goods and services.

Principles-based approach

A few commenters questioned the approach taken by the CSA and suggested that a principles-based approach was more appropriate. Reasons for this view included that:

- principles-based regulation, coupled with meaningful oversight, is more effective than rule-based regulation;
- principles are clear to the vast majority of honest operators; and
- lists would be cumbersome and unworkable, and that the principles-based approach has worked well in the U.S.

Suggestions made by these commenters included:

- allowing advisers, the users of the services, the flexibility to determine which services assist them in the investment decision-making process, while acting within their fiduciary duty;
- establishing key principles based on use to govern what goods and services can be purchased with commissions, rather than relying on a narrowly defined rule set, and to ensure adequate disclosure to investors;
- providing principles-based interpretations of soft dollar arrangements through the use of practical examples, case studies, and illustrations of real-life soft dollar situations that meet or do not meet the objectives of fair, honest and transparent dealings with clients;
- including an overall objective to the Proposed Instrument to expressly align the interests of the investor and the advisers, which would serve as the underlying guiding principle that can protect the investor and retain the flexibility necessary to allow innovation.

One commenter suggested that other than defining the key criteria for determining whether a good or service should be eligible, the role of a National Instrument should be to identify the specific goods and services that require special assessment as to their eligibility because the determination is not clear cut, and in cases where an adviser utilizes these services, it should be required to provide detailed disclosure that demonstrates why the good or service is appropriate in the context of its investment management process and the arrangements it has with clients.

Another commenter also added that the CSA notice did not indicate whether deficiencies in regulatory reviews of advisors have identified problems to require implementation of a rule.

Response:

We have essentially reformulated the Existing Provisions into a National Instrument. One of the objectives of creating the Proposed Instrument was to provide consistent requirements across Canada, as the Existing Provisions only apply in two provinces and only have force of rule in Quebec. The objective of creating the Proposed Policy was to provide additional guidance that would assist advisers in complying with the Proposed Instrument, including examples of goods and services that may be considered to be order execution services or research services.

In addition, we note that for several years, the annual reports published by the Compliance Department of the OSC's Capital Markets Branch have made reference to the identification of issues relating to soft dollars as a result of the compliance reviews performed.

However, we have made some amendments to the Proposed Instrument and Proposed Policy that we believe provide the adviser with greater flexibility to make determinations regarding its own compliance with the Proposed Instrument. In addition, we believe that the approach we have taken in addressing the issues and concerns is not inconsistent with the approaches taken in other jurisdictions. Both the U.S. and U.K. identified similar issues and concerns; the U.S. issued new interpretive guidance to clarify the safe harbor provided under Section 28(e) of the Securities Exchange Act, and the U.K. finalized new rules and guidance, both of which contain lists of the types of goods and services they might consider eligible under their respective requirements / legislation in order to add clarity. Further, while we acknowledge that there may be differences in practices relating to the use of client brokerage commissions between advisers in Canada and these other jurisdictions, the common objective amongst the various jurisdictions is to address the inherent conflicts of interest associated with the use of client brokerage commissions for payment for goods and services other than order execution, which should therefore necessitate a similar approach and response, where justifiable.

Temporal Standard for "Order Execution Services"

In the course of responding to the questions relating to post-trade analytics and OMSs, a few commenters stated their views on the temporal standard proposed for "order execution services".

One commenter noted that the CSA had proposed a temporal standard which differs from that of the SEC, but agreed that order execution services start at the time an investment decision is made as opposed to starting at the time an order is communicated to a dealer (as is the case in the U.S.). This commenter noted that this starting point would correspond with the entry of an order into an order management system.

The above view was supported by another commenter that stated that order execution services should include technology and services which assist in the execution of an order from the point at which the order life cycle starts (after the investment decision is made), and its reasoning for inclusion of post-trade analytics as order execution services included that the information gained from the measurement of the quality of execution can be used to make trading decisions. Two other commenters also justified inclusion of post-trade analytics as order execution services on the basis that they assist with the decisions of when, where and how to trade.

Another commenter was concerned that the temporal standard for "order execution services" as defined in the 2006 Instrument and 2006 Policy is contrary to long-standing industry practice. This commenter believed that the 2006 Policy indicated that "order execution services" means the entry, handling or facilitation of an order by a dealer, but not other tools that are provided to aid in the execution of trades, and on the basis of that belief, stated that the CSA has traditionally defined "order execution more broadly, leading market participants to develop a practice of paying for certain products, such as order management systems, with soft dollars as advisers use these to model, prepare and analyze prospective trades prior to the moment the trade order button is pushed."

Response:

We have clarified the temporal standard in the Proposed Policy to indicate that we would generally consider that goods and services directly related to the execution process would be provided or used between the point at which an adviser makes an investment decision (i.e., the decision to buy or sell a security) and the point at which the resulting securities transaction is concluded. We have removed the word "trading" from the previously published starting point for the temporal standard of 'after the investment or trading decision is made' in order to clarify that to the extent that a good or service assists the adviser with determining the how, when or where to execute a transaction, we would consider this to be part of the order execution process, which should therefore fall within the temporal standard for order execution services as being directly related to order execution. This allows for consistency in the categorization of goods and services involved in the execution process regardless of the extent to which the adviser relies on the dealer for execution decisions, or contributes to or makes the decision itself.

In addition, we have also clarified in the Proposed Policy that for the purposes of the Proposed Instrument, the term "order execution", as opposed to "order execution services", means the entry, handling or facilitation of an order whether by a dealer or by an adviser through direct market access, but not other goods or services provided to aid in the execution of trades – these other goods and services could be considered "order execution services" to the extent they are directly related to order execution and meet the temporal standard. This clarification in relation to an adviser's involvement with the entry, handling or facilitation of orders is intended to again allow consistency in the categorization of goods and services in those situations where an adviser is performing these functions itself through direct market access and is not reliant on the dealer for the execution.

While the temporal standard may be different than the standard used by the SEC, we do not believe the difference should cause any issues regarding the eligibility of particular goods or services between jurisdictions. Rather, there should only result in differences in how an eligible good or service has been categorized between the two jurisdictions; for example, a good categorized as research under the SEC's temporal standard, might be categorized as order execution services under the Proposed Instrument.

"Soft Dollars" Terminology

One commenter suggested that the definition of "soft dollar arrangements" does not traditionally include bundled services arrangements, and that to combine bundled and third-party arrangements under the same terminology could be confusing.

Three commenters believe the term has a negative connotation, as a result of public misuse and, at worst, could suggest unethical or even illegal behaviour. Two of these commenters noted that the FSA and SEC have dropped use of the term "soft dollars".

Response:

The Proposed Instrument does not materially change the scope of the services included as soft dollar arrangements from that in the Existing Provisions. The Existing Provisions specifically refer to bundled services – by including the statement "whether the services are provided by a dealer directly or by a third party" in relation to the definitions of both "order execution services" and "investment decision-making services".

However, to help reduce any confusion on this point, and to address the other concerns raised, we have amended the Proposed Instrument to remove reference to the term "soft dollar arrangements".

Related-party soft dollar transactions

One commenter stated that soft dollars should not be permitted between related parties, and that these should be purchased at market rates and funded by the management fee.

Response:

We believe that any concerns relating to related-party transactions involving soft dollar arrangements can be adequately addressed through disclosure. The amendments made to the disclosure requirements include identification of affiliated entities and the services they provided.

Application of Proposed Instrument to sub-advisers

One commenter requested clarification on whether the Proposed Instrument would apply when a Canadian registered investment adviser has delegated full discretionary investment management authority to a non-Canadian registered affiliate.

Other commenters had raised concerns regarding the difficulties or costs involved with obtaining information from sub-advisers in order to meet disclosure requirements.

Response:

As stated in section 2.1 of the Proposed Policy, the term "advisers" includes registered advisers and registered dealers that carry out advisory functions but are exempt from registration as advisers. A foreign sub-adviser that is not required to register in Canada by virtue of an exemption is therefore not itself subject to the Proposed Instrument.

Regarding the disclosure required under the Proposed Instrument, an adviser registered in a provincial jurisdiction where this Proposed Instrument has been adopted would be responsible for the disclosure being made to a client in relation to the use of its client brokerage commissions by a sub-adviser, whether the sub-adviser is registered in one of these provinces or not; the disclosure requirements relate to the use of the client brokerage commissions themselves.

Other requests for clarification

One commenter indicated that some advisers seem to believe that they must limit the amount of independent or discretely priced research that they acquire, while they are not limited in the amount of proprietary research they receive from full-service brokers on a bundled basis. This commenter believed it would be helpful if the CSA made the statement that no such limit exists or is warranted, and that placing arbitrary percentages on any exposure to research is potentially harmful to the end investor.

Response:

In the notice that accompanied the 2006 Instrument, we stated that we believe that the forwarding of client brokerage commissions by dealers to third parties should be permitted in order to provide flexibility and promote the use of independent research. We also stated that we agreed with commenters to the Concept Paper that there should be no difference in the eligibility of these services based on who provided them. These statements should not be interpreted to mean that advisers should limit the amount of independent or discretely priced research that they acquire.

List of commenters

1. Accountability Research Corporation
2. AGF Funds Inc.
3. Alternative Investment Management Association – Canada Chapter
4. Baillie Gifford & Co.
5. Barclays Global Investors Canada Limited
6. British Columbia Investment Management Corporation
7. Bloomberg L.P.
8. BNY ConvergEx Group LLC
9. Canadian Advocacy Council
10. Canadian Bankers Association
11. Capital International Asset Management (Canada) Inc.

12. CIBC
13. Commission Direct Inc.
14. CPP Investment Board
15. Cumberland Private Wealth Management Inc.
16. Fidelity Investments Canada Limited
17. First Coverage Inc.
18. Greystone Managed Investments Inc.
19. Heathbridge Capital Management Ltd.
20. Highstreet Asset Management Inc.
21. Hillsdale Investment Management Inc.
22. Investment Adviser Association
23. Investment Counsel Association of Canada
24. Investment Company Institute
25. The Investment Funds Institute of Canada
26. IGM Financial Inc.
27. Investment Industry Association of Canada
28. ITG Canada Corp.
29. Kenmar
30. McLean Budden Limited
31. National Society of Compliance Professionals Inc.
32. Pacific Capital Management Ltd.
33. Perimeter Financial Corp.
34. Phillips, Hager & North Investment Management Ltd.
35. Raymond James Ltd.
36. RBC Asset Management Inc.
37. Reuters Canada Limited
38. TD Asset Management Inc.
39. TD Newcrest
40. T. Rowe Price Associates, Inc.
41. TSX Group Inc.
42. Veritas Investment Research Corporation
43. Wirth Associates Inc.

APPENDIX B

Cost-Benefit Analysis

Proposed National Instrument 23-102 *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services*

INTRODUCTION

On July 21, 2006, the Canadian Securities Administrators (CSA) published for comment proposed National Instrument 23-102 – *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research*. Along with the Proposed Instrument, the CSA published a cost-benefit analysis prepared by the Ontario Securities Commission. This revised cost-benefit analysis incorporates changes to the Proposed Instrument and Proposed Policy.

BACKGROUND

The cost of investment management is typically recovered from an adviser's client through management fees and the pass-through of dealer commissions. Trading commissions are paid directly from the client's funds and are also used to pay for bundled and third-party services such as investment research, access to analytical tools, etc.

From a theoretical perspective, bundling goods or services can generate economic benefits[1]. For example, it can allow for economies of scope in their production, resulting in the combined price being lower than the aggregate price of the individual items. From the purchaser's perspective it can be cheaper to buy a combined product as opposed to separately finding each individual part. Bundled products can also result in more efficiently set prices that reflect the value that different purchasers are willing to pay.

It can be argued, that payments to third-parties via brokerage commission arrangements support providers of independent investment research. These arrangements can make it easier for research providers to gain access to advisers and can result in lower barriers to entry than would otherwise exist. More research providers and greater competition amongst them results in increased choice and better quality research. Improved investment decisions and the associated increased investment returns ultimately benefit investors.

The use of trading commissions to purchase goods and services other than order execution effectively lowers the cost of market entry for advisers. This should encourage more market entrants and increase competition among advisers. Allowing execution and research services to be paid with brokerage commissions also creates an incentive for advisers to consume such services so as to increase the effectiveness of their investment decision making.

However, conflicts of interest can arise from the use of client brokerage commissions to purchase goods and services which can benefit the client and the adviser to different degrees. As the adviser's incentives may not align with those of the client, the result may be an inefficient allocation of resources.

This occurs for at least two reasons: investors are unable to compare investment management services based upon trading costs and the use of client brokerage commissions; and investors are also unable to monitor trading decisions to ensure they are made in their best interests and not those of the adviser. Economists refer to this lack of transparency from the investor's perspective as information asymmetry[2].

The information asymmetry creates a number of regulatory concerns:

- An adviser's use of trading commissions to purchase bundled or third-party goods is not transparent. Investors are unable to properly monitor their adviser's decisions and evaluate if they are getting value for their money.
- Advisers may over-consume goods and services acquired with commission payments. These items may be acquired for an excessive price and/or in excessive quantities and may not benefit the client.
- Arrangements to use brokerage commissions to purchase bundled or third-party services create an incentive to base trading volumes on access to those services.
- Trading decisions, such as broker selection, may be based upon the adviser's commission arrangements and not the best interests of the client.

[1] Financial Services Authority, CP176: Bundled brokerage and Soft Commission Arrangements, April 2003, pg 18-19.

[2] Information asymmetry occurs when one party to a contract has more complete information than the party on the other side. Typically the seller is better informed.

THE SCOPE OF THE ISSUE

Based on research by Greenwich Associates, of the estimated $790 million in equity trading commissions paid in 2006-2007, approximately $442 million (56%) was paid to investment dealers for non-execution goods and services and $55 million (7%) was paid to third-party service providers[3].

The key stakeholders in brokerage commission arrangements are:

- Advisory firms. Across Canada there are approximately 940 firms registered to provide investment advisory services to investors[4]. A high proportion of these firms would receive dealer bundled goods and services[5].
- Investment dealers. As of the first quarter of 2007 there were 199 investment dealers in Canada[6]. All dealers can offer their clients bundled proprietary goods and the option of directing commission payments to third-party providers.
- Vendors of research or other services who receive payment for their products through brokerage commission arrangements with dealers.
- Investors who use an adviser to manage their portfolio are indirectly affected.

Is there evidence of a need for regulatory action?

The responses to Concept Paper 23-402 *Best execution and soft dollar arrangements* showed that the existing requirements are not clear about what can and cannot be purchased with client brokerage commissions. Securities regulators often receive inquiries from market participants about permitted goods and services.

Between 2003 and 2007, OSC compliance staff found deficiencies in 35% of the 31 firms reviewed that used commissions to purchase third-party products[7]. Over the same period, the British Columbia Securities Commission's (BCSC) compliance staff identified seven deficiencies, only one of which they considered serious, in 23 Investment Counsel/Portfolio Manager firms that had soft dollar arrangements[8].

Although there is little evidence of deliberate abuses of brokerage commission arrangements within Canada and globally[9], this may result from a largely opaque environment where only institutional investors are able to monitor trading. Nonetheless, concerns over the inherent conflicts of interest are well documented[10] in the research and have lead regulators in the U.K. and the U.S. to take action.

Research by Greenwich Associates suggests that 71% of Canadian investment managers would decrease their use of sell-side research if forced to pay for it with hard dollars[11]. One could infer from this that advisers do not attach much value to this research and are, at least inadvertently, over-consuming it under current brokerage commission arrangements. It may also mean that investors are potentially over-paying brokerage commissions that fund research their advisers do not value.

The Greenwich Associates research also shows that advisers use client brokerage commissions to purchase goods and services that may not meet the proposed definition of execution services and research services[12]. Investors may be paying for goods and services that the CSA would not consider sufficiently linked to the investment decision-making process, such as newspaper subscriptions.

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3 Greenwich Associates, "Canadian Equities: Amid Booming Market, Institutions Put some Strategic Moves on Hold", August 2007.

4 This figure represents the number of firms in National Registration Database (NRD) that are registered in an adviser category. The NRD information is as of October 3, 2007.

5 This is based upon anecdotal evidence and Greenwich's research that shows that bundled goods and services are far more prevalent (56% of commissions allocated for bundled services as opposed to 7% for third-party research).

6 Investment Industry Association, Securities Industry Performance, First Quarter 2007.

7 From April 2003 to March 2007, the OSC performed compliance reviews of 85 firms registered as investment counsel/portfolio managers (ICPM). 31 of those firms had soft dollar arrangements to purchase third-party goods and services. Of those, deficiencies were found at 11 firms.

8 From 2003 to 2007, the BCSC performed compliance reviews of 90 firms registered as ICPMs. Of those, 23 were found to have soft dollar arrangements.

9 Consultation Report: Soft Dollars, International Organisation of Securities Commissions, November 2006.

10 For example, the UK Myners reports (Institutional Investment in the United Kingdom: A Review, HM Treasury, March 2001).

11 Greenwich Associates, "Canadian Equities: Setting the Price for Sell-Side Research", June 2005, pg 5.

12 Ibid, pg 4.

Will market forces sufficiently manage this issue?

The 2007 Greenwich Associates report indicates that the proportion of total equity brokerage commission allocated to soft dollars has decreased one-third between 2005 to 2007 (from 11% to 7%)[13]. While there are no indications about longer-term trends, the survey found that the surveyed institutions expect that proportion of soft dollar commissions to remain constant over the next year.

Unfortunately, research by firms such as Greenwich does not address the reasons why firms have changed their use of soft dollars. However, there are a number of theories that may help us understand how competitive dynamics affect the incentives for advisers to reduce their use of client brokerage commissions as payment for research services and order execution services.

While some institutions have ended the practice of using soft dollars, that may only be an option for large portfolio management firms. For others, it may be prohibitively costly to develop in-house research capabilities. The Greenwich Associates research found a decrease in the trend of buy-side firms hiring internal research staff[14] but that may not necessarily result in a change in the use of soft dollars.

Research can be purchased with client brokerage commissions or with hard-dollars. A decrease in the use of soft dollars would need to be covered out of existing management fees or an increase in those fees. Given that management fees are one of the key dimensions upon which advisers compete, there could be reluctance to raise those fees or to reduce current profit margins. This could limit the incentive for advisers to reduce their purchases of client brokerage commission funded research.

Alternatively, increased transparency regarding the use of brokerage commissions to purchase services other than pure order execution would allow investors to incorporate that information into their purchasing decisions. This may, in turn, reinforce the incentives for investment advisers to reduce the use of client brokerage commissions to purchase research services and order execution services.

What is the current regulatory environment?

While Ontario currently has a policy[15] and Québec a rule[16] that provide guidelines regarding brokerage commission arrangements, neither has been recently updated. As a result, they have not kept in step with the requirements and guidance in the U.K. and the U.S.

Across the CSA jurisdictions there are no harmonized rules for the use of client brokerage commissions or disclosing those arrangements. There are also inconsistencies between the disclosure of brokerage commission practices for mutual funds and other managed investments.

REGULATORY OBJECTIVE

Members of the CSA believe there is a need to address the potentially adverse effects of this information asymmetry by improving access to information about the use of brokerage commissions and reducing the potential for advisers to, either inadvertently or by design, use the practice for their own benefit and not their clients'.

Four Options

There are four options for addressing the use of brokerage commissions as payment for non-execution services:

1. Maintain the status quo;
2. Update the current guidance;
3. Limit the use of client brokerage commissions to order execution; and
4. Reformulate the current requirements into a National Instrument.

1. Maintain the status quo

Ontario would continue to maintain its policy, and Québec its policy statement, on the use of client brokerage commissions. Other jurisdictions would continue to look to those for guidance.

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13 Greenwich, 2007, pg 5.

14 Greenwich, 2007, pg 4.

15 OSC Policy 1.9 *Use by Dealers of Brokerage Commission as Payment of Goods and Services other than Order Execution Services*.

16 Policy Statement Q-20 *Use by Dealers of Brokerage Commission as Payment of Goods and Services other than Order Execution Services* (which became a rule in June 2003).

This option would not involve additional compliance costs but there would be a continuing lack of transparency. Investors would remain unable to effectively monitor their adviser's use of brokerage commissions to pay for goods and services other than order execution.

Canada would fall further out of step with the requirements and guidance in the U.K., the U.S.A. and other jurisdictions. This could become a competitive disadvantage for Canada's capital markets if other jurisdictions are perceived to have tighter controls on the use of brokerage commissions. Canadian investment managers may become less attractive to international investors.

2. Update current guidance

Updating and clarifying the provided guidance under the current Ontario policy and Québec rule would provide more certainty to advisers and dealers regarding permitted goods and services. For those advisers and dealers that comply with the revised Ontario policy and Québec rule, the costs would be similar to those associated with reformulating the existing policy and rule into a National Instrument (see below). Advisers would need to review current policies and procedures and develop appropriate disclosure for clients about how their brokerage commissions are used.

There are no guarantees that other CSA jurisdictions would adopt the revised requirements and so increased harmonisation across the CSA may not be achieved. As with the current Ontario policy, the specific elements in the policy would not be enforceable and there would be no guarantee that all advisers would follow the provisions of the policy. As a result, not all investors would benefit from higher quality disclosure and regulators could continue to see many of the same issues currently found during compliance reviews.

Consistency with applicable U.K. and U.S. requirements and guidance will help protect the competitiveness of Canada's capital markets, even if other CSA jurisdictions do not follow suit.

3. Limit the use of client brokerage commissions to order execution

A ban would prohibit dealers and advisers from using brokerage commissions to pay for anything other than pure order execution. Goods and services currently paid for using client brokerage commissions would have to be paid for directly from an adviser's management fee.

Investors

Banning the use of brokerage commissions to pay for anything other than pure order execution eliminates the potential for advisers to over-consume research or execution services. Although, it may also increase advisers' costs which may put upward pressure on management fees.

Management fees would reflect the true cost of hiring an adviser's expertise and the full cost of their investment approach. As a result, investors would find it easier to compare adviser services based upon price.

Research costs would have to be recognized as a management expense. Advisers may be reluctant to reduce their margins by using management fees to purchase research. Under-consumption of research could result in sub-optimal decisions for clients.

Third-party service providers

The research by Greenwich Associates[17] found that over 60% of Canadian investment managers purchase third-party research via client brokerage commission arrangements. Only 27% of firms purchased independent research with hard dollars. If advisers are required to purchase independent research out of their management fee, the current levels of consumption may decrease.

Decreased demand for their services could lead to some research providers exiting the market. There would be decreased competition between independent research providers and possibly higher costs.

If advisers pay for non-execution goods and services directly, they will ensure that the goods and services purchased are providing value. Of the investment managers Greenwich surveyed in 2005, approximately one quarter purchased independent research using hard dollars[18]. Clearly, advisers see more value in independent research than in its sell-side funded equivalent and prohibiting client brokerage commission arrangements may then lead advisers to substitute independent for sell-side funded research.

[17] Greenwich Associates, 2005, pg 5.

[18] Ibid, pg 4.

Advisers

To the extent there are economies of scope in bundling order execution with other goods and services, banning the practice could result in increased costs to acquire the individual services.

Prohibiting such payments could have a disproportionate impact on smaller advisers who are more reliant on client brokerage commission funded research[19].

Increased costs may also create a barrier to entry for new advisers and may ultimately decrease competition among advisers, thereby reducing choice for investors. Decreased competition in the investment management market could also result in higher management fees.

Canada's competitive position

As previously discussed, a lack of consistency with comparable regulation in other jurisdictions can harm the competitiveness of Canada's markets. Advisers in both the U.S. and the U.K. are permitted to use client brokerage commissions to purchase order execution and research services. Prohibiting the practice in Canada could result in a competitive disadvantage for Canada's securities industry.

4. Reformulate requirements into a National Instrument

The Proposed Instrument addresses concerns about the use of client brokerage commissions by applying a uniform standard to all participating provinces and territories. Participants would be given improved guidance regarding acceptable uses of client brokerage commissions and would be required to provide disclosure to clients about such practices.

Compliance costs

To ensure compliance with the new requirements, advisers and dealers would have to review existing brokerage commission arrangements and ensure that any goods and services they buy or provide are permitted. Most advisers already have a list of services that can be acquired with client brokerage commissions. This list is usually maintained by the firm's compliance staff and/or management. Similarly, dealers have lists of approved services that can be offered as part of a brokerage commission arrangement. They would also need to ensure they comply with the new disclosure requirements.

Based on research from other jurisdictions[20], we estimate it would take approximately eight days of effort for Canadian dealers and advisers to review their use of client brokerage commissions in light of the Proposed Instrument. This would result in an estimated one-time cost of about $3 million. Table 1 below shows the breakdown of this cost.

Table 1	
Average salary of compliance officer	$77,000[21]
Estimated effort	6 days
Average salary of legal counsel	$124,000[22]
Estimated effort	1 day
Average senior management salary	$110,000
Estimated effort	1 day
Estimated number of affected firms (dealers and advisers)[23]	1,139
Estimated cost per firm	$2,800
Estimated industry cost ($2,800 * 1,139 firms)	$3.2 million

19 Greenwich Associates, Statistical Supplement, June 2005, pg 12.

20 OXERA, 2003, page 18. Although there are differences between the proposed instrument and the FSA's proposal, we view this to be a good estimate of the average effort required to review existing brokerage commission arrangements.

21 The estimates for compliance officer and management salaries are based upon discussions with human resources consultants familiar with the employment market for compliance officials.

22 This is based upon estimates of salaries paid to experienced legal professionals in the regulatory community.

23 We have assumed that all the 199 dealers and 940 adviser firms have arrangements to use client brokerage commission to purchase order execution services and research services. We expect this to be a high-end estimate of industry costs as not all firms will have such arrangements.

In Ontario and Québec, most dealers and advisers are already monitoring compliance with the existing requirements. Dealers and advisers in other jurisdictions are likely to be familiar with the current guidelines and have some policies and procedures in place. The additional on-going cost of monitoring compliance against the updated requirements is expected to be quite small.

The current Ontario and Québec requirements state that, upon request, advisers should provide to clients the names of research providers from whom research was acquired with brokerage commissions in the last fiscal year and a summary of those goods and services. The Proposed Instrument requires some general annual disclosure (similar to that currently set out in OSC Policy 1.9 and AMF Policy Statement Q-20), but adds the following components:

- a description of the process used when selecting dealers and whether goods and services in addition to order execution are a factor;
- procedures for ensuring that clients that paid for order execution services and research services received reasonable benefit from their use;
- the methods used to assess the overall reasonableness of the amount of brokerage commissions paid relative to the benefits received;
- total brokerage commissions paid by the client during the period reported upon; and
- aggregate brokerage commissions paid during the period and a reasonable estimate of the portion of those commissions that were paid for goods and services other than order execution.

The revised proposal contains considerably less quantitative disclosure than was originally proposed. The cost of developing the disclosure would vary depending on the complexity of the adviser's operations. However, the new disclosure proposal does not require any new information be gathered by advisers and dealers. Also, most of the effort is required upfront, with only limited updating needed each year. Therefore, we do not expect the cost of the proposed disclosure to be significant.

Investors

Investors would have access to more information about their adviser's use of client brokerage commissions and the extent to which they are used to purchase goods and services. The increased transparency would allow investors to better compare advisers' services and so increases the competitive pressures on advisers. However, they may not have sufficient knowledge to determine if the purchased goods and services generated value and improved investment returns.

Improved clarity for dealers and advisers about the goods and services that can be acquired with brokerage commissions should reduce over-consumption of goods and services that do not sufficiently benefit clients. Investors would benefit from reduced trading costs.

Third-party service providers

The Proposed Instrument restricts some services that were not explicitly excluded under the current Ontario policy or Québec rule. This should further reduce any over-consumption of goods and services. If these services did not add value, advisers would likely discontinue their use as opposed to paying for them out of management fees. According to the Greenwich Associates research, the decreased demand is not likely to threaten the viability of those businesses providing the now prohibited services[24].

Client brokerage commissions could still be used to acquire independent research, helping to ensure that its providers are able to compete with dealer-produced research.

Advisers

The Proposed Instrument provides increased guidance regarding approved uses for client brokerage commissions. The resulting increased clarity for advisers could reduce the over-consumption of goods and services that are paid for with brokerage commissions.

[24] As examples, about 27% of respondents use soft dollar credits to pay for news subscriptions and less than 10% use soft dollar credits to pay for transaction cost analysis (Greenwich Associates, 2005, pg 4).

The Proposed Instrument would have the full force of law. The threat of regulatory sanction would increase the incentives for advisers to regulate their own behaviour and reduces the risk of non-compliance. The rule would apply in all CSA jurisdictions, which would eliminate any potential competitive distortions that result from having different requirements in different jurisdictions.

Canada's Competitive Position

The risk of competitive distortions within the Canadian market would be reduced if the Proposed Instrument applied across the CSA. If advisers in one CSA jurisdiction were permitted to purchase a good or service using client brokerage commissions, advisers in all jurisdictions would be able to do so.

The Canadian capital market will maintain its competitive position relative to the U.S. and U.K. markets. The revised proposal takes further steps to increase harmonisation with the SEC interpretation. This will reduce compliance costs for advisers and dealers and maintain their ability to compete with U.S. based firms.

SUMMARY

Based on this analysis, it is clear that the status quo offers little in the way of benefits and does not sufficiently protect investors. At the other extreme, prohibiting the use of client brokerage commission as payment for execution services and research services could put Canada at a competitive disadvantage and threaten the viability of Canadian independent research providers.

Updating the current requirements decreases uncertainty for dealers and advisers and improves their clients' ability to monitor the use of their brokerage commissions. We expect dealers and advisers to incur a one-time cost of approximately $3 million, or $2,800 per firm, when reviewing their current brokerage commission practices and arrangements. The additional costs of providing more detailed disclosure to clients are not expected to be significant. In comparison, the median 2006 revenue for adviser firms registered as an investment counsel and portfolio manager in Ontario was $879,000[25].

However, the option of modifying the existing requirements in Ontario and Québec would not ensure consistently improved disclosure, harmonization, or enforceability and so does not meet all of our regulatory goals.

The anticipated costs of implementing the Proposed Instrument are the same as those for updating the current requirements, but there are additional benefits to be had from required disclosure and application across the CSA. Our analysis suggests that a National Instrument that provides better guidelines on the use of client brokerage commissions and that mandates disclosure to investors is the best option. It would manage the inherent conflicts of interest without affecting the viability of independent research providers and would provide stakeholders more certainty about the acceptable uses of brokerage commissions. By introducing requirements for consistent and comparable disclosure, the Proposed Instrument will enable investors to make more informed decisions about advisers and to better monitor how their brokerage commissions are spent.

[25] Revenue earned from operations in Ontario. This figure is compiled from internal Ontario Securities Commission information.

NATIONAL INSTRUMENT 23-102 – USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER EXECUTION SERVICES OR RESEARCH SERVICES

Table of Contents

PART 1 – DEFINITIONS

1.1 Definitions – In this Instrument

"affiliated entity" has the meaning ascribed to it in section 1.3 of National Instrument 21-101 *Marketplace Operation*.

"client brokerage commissions" means brokerage commissions paid for out of, or charged to, the client accounts or investment funds managed by the adviser.

"fully managed account" has the meaning ascribed to it in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

"order execution services" means:

(a) order execution; and

(b) other goods or services directly related to order execution.

"research services" means:

(a) advice relating to the value of securities or the advisability of buying, selling or holding securities;

(b) analyses or reports concerning securities, portfolio strategy, issuers, industries, or economic or political factors and trends; and

(c) databases and software to the extent they are designed mainly to support the services referred to in (a) and (b).

PART 2 – APPLICATION

2.1 Application – This Instrument applies to advisers and registered dealers in relation to any trade in securities for an investment fund, a fully managed account, or any other account or portfolio over which an adviser exercises investment discretion on behalf of third party beneficiaries, where brokerage commissions are charged by a dealer.

PART 3 – USE OF COMMISSIONS ON BROKERAGE TRANSACTIONS

3.1 Advisers – (1) An adviser may not enter into any arrangements to use client brokerage commissions, or any portion thereof, as payment for goods and services other than order execution services or research services.

(2) An adviser that uses client brokerage commissions as payment for order execution services or research services must ensure that:

(a) the goods or services benefit the client(s); and

(b) a good faith determination has been made that the amount of client brokerage commissions paid is reasonable in relation to the value of the order execution services or research services received.

3.2 Registered Dealers – A registered dealer may only accept commissions received from brokerage transactions, or forward to a third party any portion of such commissions, as payment for order execution services or research services.

PART 4 – DISCLOSURE OBLIGATIONS

4.1 Disclosure – An adviser that uses client brokerage commissions, or any portion thereof, as payment for goods and services other than order execution, must provide to its clients on an initial basis and, thereafter, at least annually, disclosure of:

(a) a description of the process for, and factors considered in, selecting dealers to effect securities transactions, including whether receiving goods and services in addition to order execution is a factor, and whether and how the process may differ for dealers that are affiliated entities;

(b) a description of the nature of arrangements entered into relating to the use of client brokerage commissions as payment for order execution services or research services;

(c) the names of the dealers and third parties that provided goods and services other than order execution under those arrangements and the types of goods and services provided, separately identifying each affiliated entity and the types of goods and services provided by each such affiliated entity;

(d) the procedures for ensuring that, over time, all clients whose brokerage commissions were used as payment for these goods and services have received reasonable benefit from such usage;

(e) the methods by which the overall reasonableness of the amount of client brokerage commissions paid to dealers in relation to the order execution services or research services received is determined;

(f) the total client brokerage commissions paid by the client during the period reported upon; and

(g) on an aggregated basis, where the level of aggregation has been determined by the adviser, the total client brokerage commissions paid during the period reported upon, along with the adviser's reasonable estimate of the portion of those commissions that represents the amounts paid or accumulated to pay for goods and services other than order execution during that period.

PART 5 – EXEMPTION

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

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 6 – EFFECTIVE DATE

6.1 Effective Date – This Instrument comes into force six months from its approval date.

COMPANION POLICY 23-102 CP – TO NATIONAL INSTRUMENT 23-102 – USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER EXECUTION SERVICES OR RESEARCH SERVICES

Table of Contents

PART 1 – INTRODUCTION

1.1 Introduction – The purpose of this Companion Policy is to provide guidance regarding the various requirements of National Instrument 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services (the "Instrument"), including:

(a) a discussion of the general regulatory purposes for the Instrument;

(b) the interpretation of various terms and provisions in the Instrument; and

(c) guidance on compliance with the Instrument.

1.2 General – Registered dealers and advisers have a fundamental obligation to act fairly, honestly, and in good faith with their clients. In addition, securities legislation in some jurisdictions requires managers of mutual funds to also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Instrument is intended to provide more specific parameters for the use of client brokerage commissions where "client brokerage commissions" are defined as those brokerage commissions that are ultimately paid for out of, or charged to, the client accounts or investment funds managed by advisers. The Instrument also sets out disclosure requirements for advisers. This Companion Policy provides guidance on (a) the characteristics of the goods and services that may be paid for with client brokerage commissions, including some examples of permitted and non-permitted goods and services; (b) the obligations of advisers and registered dealers; and (c) the disclosure obligations.

PART 2 – APPLICATION OF THE INSTRUMENT

2.1 Application – (1) The Instrument applies to advisers and registered dealers. The reference to "advisers" includes registered advisers and registered dealers that carry out advisory functions but are exempt from registration as advisers. The Instrument governs certain trades in securities where payment is made with client brokerage commissions, as set out in section 2.1 of the Instrument. The reference to "client brokerage commissions" includes any commission or similar transaction-based fee charged for a trade where the amount paid for the security is clearly separate and identifiable (e.g., the security is exchange-traded, or there is some other independent pricing mechanism that enables the adviser to accurately and objectively determine the amount of commissions or fees charged).

(2) The limitation of the Instrument to trades for which a brokerage commission is charged is based on the practical difficulties in applying these requirements to transactions such as principal transactions where a mark-up is charged. Advisers that obtain goods and services other than order execution in conjunction with such transactions will remain subject to their general fiduciary obligations to deal fairly, honestly and in good faith with clients, but will not be able to rely on the Instrument to demonstrate compliance with those obligations.

PART 3 – ORDER EXECUTION SERVICES AND RESEARCH SERVICES

3.1 Definitions of Order Execution Services and Research Services – (1) Section 1.1 of the Instrument includes the definitions of order execution services and research services and provides the broad characteristics of both.

(2) The definitions do not specify what form (e.g., electronic or paper) the services should take, as it is the substance that is relevant in assessing whether the definitions are met.

(3) An adviser's responsibilities include determining whether any particular good or service, or portion thereof, may be paid for with client brokerage commissions. In making this determination, the adviser is required under Part 3 of the Instrument to ensure both that the good or service meets the definition of order execution services or research services and that it benefits its client(s).

3.2 Order Execution Services – (1) Section 1.1 of the Instrument defines "order execution services" as including the actual execution of the order itself, as well as other goods and services directly related to order execution. For the purposes of the Instrument, the term "order execution", as opposed to "order execution services", means the entry, handling or facilitation of an order whether by a dealer or by an adviser through direct market access, but not other goods or services provided to aid in the execution of trades.

(2) To be considered directly related to order execution, goods and services should generally be integral to the arranging and conclusion of the transactions that generated the commissions. A temporal standard should be applied to ensure that only goods and services used by an adviser that are directly related to the execution process are considered order execution services. As a result, we generally consider that goods and services directly related to the execution process would be provided or used between the point at which an adviser makes an investment decision (i.e., the decision to buy or sell a security) and the point at which the resulting securities transaction is concluded. The conclusion of the resulting securities transaction occurs at the point that settlement is clearly and irrevocably completed.

(3) For example, order execution services may include trading advice, such as advice from a dealer as to how, when or where to trade an order (to the extent it relates to the execution of a specific order and is provided after the point at which the investment decision is made by the adviser), order management systems (to the extent they help arrange or effect a securities transaction), algorithmic trading software and market data (to the extent they assist in the execution of orders), post-trade analytics from prior transactions (to the extent they are used to aid in a subsequent decision of how, when or where to place an order), and custody, clearing and settlement services that are directly related to an executed order that generated commissions.

3.3 Research Services – (1) The Instrument defines research services as advice, analyses or reports regarding various subject matter relating to investments, as well as databases and software that support these services. In order to be eligible, research services generally should reflect the expression of reasoning or knowledge and be related to the subject matter referred to in the definition (i.e., securities, portfolio strategy, etc.). We would also consider databases and software that are used by advisers in support of or as an alternative to the provision by dealers of advice, analyses and reports to be research services to the extent they relate to the subject matter referred to in the definition. Additionally, a general characteristic of research services is that, in order to link these to order execution, they should be provided or used before an adviser makes an investment decision.

(2) For example, traditional research reports, publications marketed to a narrow audience and directed to readers with specialized interests, and seminars and conferences (i.e., fees, and not incidental expenses such as travel, accommodations and entertainment costs) would generally be considered research services. Databases and software that could be eligible as research services could include quantitative analytical software, market data from feeds or databases that has been or will be analyzed or manipulated to arrive at meaningful conclusions, and possibly order management systems (to the extent they provide research or assist with the research process).

3.4 Mixed-Use Items – (1) Mixed-use items are those goods and services that contain some elements that may meet the definitions of order execution services or research services, and other elements that either do not meet the definitions or that would not meet the requirements of Part 3 of the Instrument. Where mixed-use items are obtained by an adviser with client brokerage commissions, the adviser should make a reasonable allocation of those commissions paid according to the use of the goods and services. For example, advisers might use client brokerage commissions to pay

for the portion of order management systems used in the order execution process, but should use their own funds to pay for any portion of the systems used for compliance, accounting or recordkeeping purposes.

(2) For purposes of making a reasonable allocation, an adviser should make a good faith estimate supported by a fact-based analysis of how the good or service is used, which may include inferring relative costs from relative benefits. Factors to consider might include the relative utility derived from, or the time the good or service is used for, eligible and ineligible uses.

(3) Advisers are expected to keep adequate books and records concerning the allocations made.

3.5 Non-Permitted Goods and Services – (1) We consider certain goods and services to be clearly outside the scope of the permitted goods and services under the Instrument because they are not sufficiently linked to the securities transactions that generated the commissions. Goods and services that relate to the operation of an adviser's business rather than to the provision of services to its clients would not meet the requirements of Part 3 of the Instrument. Examples of these include office furniture and equipment (including computer hardware), trading surveillance or compliance systems, portfolio valuation and performance measurement services, computer software that assists with administrative functions, legal and accounting services relating to the management of an adviser's own business or operations, memberships, marketing services, and services provided by the adviser's personnel (e.g. payment of salaries, including those of research staff).

PART 4 – OBLIGATIONS OF ADVISERS AND REGISTERED DEALERS

4.1 Obligations of Advisers – (1) Subsection 3.1(1) of the Instrument restricts an adviser from entering into any arrangements to use any portion of client brokerage commissions for purposes other than as payment for order execution services or research services, as defined in the Instrument. Arrangements consist of both formal and informal arrangements, including those informal arrangements for the receipt of such goods and services from a dealer offering proprietary, bundled services.

(2) Subsection 3.1(2) of the Instrument requires an adviser that uses client brokerage commissions to pay for order execution services or research services to ensure that certain criteria are met. The criteria include that the order execution services or research services acquired are for the benefit of the adviser's client(s). In order to benefit a client, the goods and services should be used in a manner that provides appropriate assistance to the adviser in making investment decisions, or in effecting securities transactions. A good or service that meets the definition of order execution services or research services, but is not used to assist the adviser with investment decisions, or with effecting securities transactions, should not be paid for with client brokerage commissions. The adviser should be able to demonstrate how the goods and services paid for with client brokerage commissions are used to provide appropriate assistance.

(3) A specific order execution service or research service may benefit more than one client, and may not always directly benefit each particular client whose brokerage commissions were used as payment for the particular service. However, the adviser should have adequate policies and procedures in place to ensure that all clients whose brokerage commissions were used as payment for these goods and services, have received fair and reasonable benefit from such usage.

(4) Paragraph 3.1(2)(b) of the Instrument requires the adviser to ensure that a good faith determination has been made that the amount of client brokerage commissions paid for order execution services or research services is reasonable in relation to the value of the services received. This determination can be made either with respect to a particular transaction or the adviser's overall responsibilities for client accounts. The relevant measure for any such determination is the reasonableness of the amount of client brokerage commissions paid in relation to the order execution services and research services received and used by the adviser. An adviser that, by virtue of paying client brokerage commissions, is provided with access to goods and services, or receives goods or services on an unsolicited basis and does not use such items, will not be considered to be in violation of this obligation if it does not include these in its assessment of value received in relation to commissions paid. However, to the extent that an adviser makes use of any such goods or services, or considers the availability of such goods or services a factor when selecting dealers, the adviser should include these in its assessment of value received for commissions paid. An example of a situation where value received might not be reasonable in relation to value paid is where an adviser has accepted a full-service commission rate without negotiating for an execution-only rate, if the adviser intended only to rely on the dealer for order execution.

4.2 Obligations of Registered Dealers – Section 3.2 of the Instrument clarifies that a registered dealer may only charge and accept brokerage commissions for order execution services and research services. Further, the dealer may forward to a third party, on the instructions of an adviser, any portion of those commissions to pay for order execution services or research services provided to the adviser by that third party.

PART 5 – DISCLOSURE OBLIGATIONS

5.1 Disclosure Recipient – Part 4 of the Instrument requires an adviser that has used client brokerage commissions, or any portion thereof, as payment for goods and services other than order execution, to make certain disclosures to its clients. The recipient of the disclosure should typically be the party with whom the contractual arrangement to provide advisory services exists. For example, for an adviser to an investment fund, the client would typically be considered the fund, unless the adviser is also the trustee and/or the manager of the fund, or is an affiliate of the trustee and/or manager of the fund, in which case the adviser should consider whether its relationship with the fund presents a conflict of interest matter under National Instrument 81-107 *Independent Review Committee for Investment Funds* that requires review by the Independent Review Committee established in accordance with that National Instrument, and whether it would be more appropriate for the disclosure to be made instead to the Independent Review Committee.

5.2 Timing of Disclosure – (1) Part 4 of the Instrument requires an adviser to make certain initial and periodic disclosure to its clients. Initial disclosure should be made before an adviser starts conducting business with each of its clients and then periodic disclosure should be made at least annually. The period of time chosen for the periodic disclosure should be consistent from period to period.

(2) For existing clients at the effective date of the Instrument, the adviser should make initial disclosure within six months of the effective date of the Instrument. If the adviser provides the first periodic disclosure to those clients within that six month period, then separate initial disclosure would not be necessary. Otherwise, the initial disclosure to be made to those clients need only include the disclosure required by paragraphs 4.1(a) through (e) of the Instrument.

5.3 Adequate Disclosure – (1) For the purposes of the disclosure made under section 4.1 of the Instrument, the requirement on the adviser to provide disclosure regarding the use of its client brokerage commissions would include the use of those commissions by its sub-advisers.

(2) For the purposes of paragraph 4.1(b) of the Instrument, disclosure of the nature of arrangements relating to the use of client brokerage commissions should include whether the adviser or its sub-adviser(s) have entered into any such arrangements, whether those arrangements involve goods and services provided directly by a dealer or by a third party, and a description of the general mechanics of how client brokerage commissions are charged and used to pay for order execution services and research services under these arrangements.

(3) For the purposes of paragraph 4.1(c) of the Instrument, disclosure of the types of goods and services should be sufficient to provide adequate description of the goods and services received (e.g., algorithmic trading software, research reports, trading advice, etc.). Associating the types of goods and services received to each dealer or third party that provided that good or service is not necessary, except in the case of goods and services provided by affiliated entities. Affiliated entities and the types of goods and services each such entity provided should be separately identified. The disclosure made under paragraph 4.1(c) of the Instrument could be made at the firm-wide level, or at the level that corresponds to the level of aggregation or disaggregation of the client brokerage commissions disclosed under paragraph 4.1(g) of the Instrument, depending on the reliability of the information at a level other than firm-wide.

(4) For the purposes of paragraph 4.1(g) of the Instrument, when making disclosure of the aggregated client brokerage commissions paid by the adviser during the period reported upon, consideration should be given to the appropriate level of aggregation or disaggregation of the commission information needed to provide the client with sufficient information regarding the use of client brokerage commissions. For example, advisers that offer only private managed accounts might aggregate at the firm-wide level. Advisers that advise on behalf of multiple types of accounts (e.g. mutual funds, sub-advised accounts, and private managed accounts) might provide disclosure that aggregates for each account type. More granular disaggregation can be provided if the adviser believes it is appropriate; for example, for disclosure to a mutual fund it might be appropriate to disaggregate to the level of the particular mutual fund, rather than across all mutual funds. Advisers that have disaggregated their disclosure should also include firm-wide disclosure.

(5) Other than as indicated in subsection 5.2(2) of this Company Policy, in order for the initial disclosure required under section 4.1 of the Instrument to be considered adequate, the adviser should provide the client with the most recent periodic disclosure, in relation to that section, that had been provided to the adviser's existing clients to meet paragraphs 4.1(a) through (e), and (g) of the Instrument.

(6) An adviser should disclose any additional information it believes would be helpful to its clients. For example, the adviser may determine that a break-out of the amounts disclosed under paragraph 4.1(g) of the Instrument into the components representing research services and other goods or services directly related to order execution provides useful information to its clients. Or, it may choose to include more granular disclosure that is required in another jurisdiction.

5.4 Form of Disclosure – Part 4 of the Instrument does not specify the form of disclosure. The form of disclosure may be determined by the adviser based on the needs of its clients, but the disclosure should be provided in conjunction with other initial and periodic disclosure relating to the management and performance of the account, portfolio, etc. For managed accounts and portfolios, the initial disclosure could be included as a supplement to the management agreement or account opening form, and the periodic disclosure could be provided as a supplement to a statement of portfolio.

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Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/10/2007	5	2133187 Ontario Inc. - Common Shares	100,000.00	100,000.00
12/17/2007 to 12/21/2007	23	Andean American Mining Corp. - Units	5,919,550.00	9,107,000.00
12/20/2007	14	Angle Energy Inc. - Common Shares	1,062,760.00	5,500.00
12/24/2007	1	Anterra Energy Inc. - Flow-Through Shares	1,299,999.60	N/A
12/21/2007	29	Appia Energy Corp. - Flow-Through Shares	1,379,000.00	512,000.00
11/14/2007	106	Artumas Group Inc. - Common Shares	96,840,000.00	12,000,000.00
12/31/2007	1	Atlanta Gold Inc. - Common Shares	60,000.00	153,846.00
11/29/2007	1	Atlas Reinsurance IV Limited - Notes	2,002,200.00	1.00
12/21/2007	35	Auger Resources Ltd. - Flow-Through Shares	1,200,000.00	10,750,001.00
12/21/2007	3	Aurea Mining Inc. - Units	660,000.00	220,000.00
12/21/2007	62	Baymount Incorporated - Common Shares	2,018,100.00	20,181,000.00
12/21/2007	5	Belmore Energy Inc. - Units	167,500.00	N/A
11/30/2007	1	Biomedical Photometrics Inc. - Debentures	750,000.00	N/A
12/28/2007	2	Bison Gold Exploration Inc. - Flow-Through Shares	400,000.00	1,333,333.00
12/31/2007	24	Blackcomb Minerals Inc. - Common Shares	932,500.00	1,865,000.00
12/19/2007	1	BlackRock Mortgage (Offshore) Investors, L.P. - Limited Partnership Interest	245,324,999.10	1.00
12/27/2007	58	Blacksteel Oil Sands Inc. - Common Shares	2,199,408.00	1,272,810.00
12/21/2007	4	Blue Parrot Energy Inc. - Common Shares	2,636,196.10	52,723,922.00
12/21/2007	14	Blue Parrot Energy Inc. - Debentures	11,250,000.00	N/A
12/21/2007	109	BNP Resources Inc. - Common Shares	5,900,001.20	N/A
12/20/2007	19	Bonaventure Enterprises Inc. - Flow-Through Shares	4,312,720.00	8,921,600.00
12/31/2007	4	Bralone Gold Mines Ltd. - Flow-Through Shares	588,500.00	N/A
12/20/2007	20	BrazAlta Resources Corp. - Common Shares	5,500,000.00	10,000,000.00
12/21/2007	373	Bridge Resources Corp. - Units	37,896,804.60	44,143,300.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
11/17/2007	1	Bridgepoint Europe IV 'B' L.P. - Limited Partnership Interest	427,620,000.00	N/A
12/21/2007	20	Bridgeport Ventures Inc. - Common Shares	443,700.00	7,395,000.00
12/14/2007	88	Canada Energy Partners Inc. - Common Shares	5,121,672.96	8,828,532.00
12/18/2007	6	Canadian Shield Resources Inc. - Units	300,000.00	1,000,001.00
12/20/2007	22	CardioMetabolics Inc. - Common Shares	363,000.00	726,000.00
12/24/2007 to 12/27/2007	5	CareVest First Mortgage Investment Corporation - Preferred Shares	121,669.00	121,669.00
12/21/2007	3	Caymus Capital Corp. - Common Shares	325,000.00	3,250,000.00
12/13/2007	1	CGE Resources 2007 Limited Partnership - Units	45,000.00	45.00
12/19/2007	228	Changfeng Energy Inc. - Receipts	7,500,000.00	12,500,000.00
12/10/2007	2	ChinaEdu Corporation - Common Shares	1,111,330.00	110,000.00
12/22/2007 to 12/31/2007	12	CMC Markets Canada Inc. - Contracts for Differences	48,700.00	12.00
11/14/2007	1	CNH Capital Canada Receivables Trust - Notes	87,984,528.11	N/A
12/28/2007	2	Columbia Goldfields Ltd. - Units	2,522,000.80	2,292,728.00
11/28/2007	41	Condor Petroleum Inc. - Common Shares	1,200,000.00	40,000,000.00
12/20/2007	23	Constantine Metal Resources Ltd. - Common Shares	550,000.00	1,100,000.00
12/05/2007	10	Copper Mountain Mining Corporation - Common Shares	3,000,000.00	1,200,000.00
10/01/2006 to 09/30/2007	3	Counsel Fixed Income - Trust Units	87,900,000.00	7,067,326.44
04/10/2006 to 09/30/2007	2	Counsel Managed Portfolio - Trust Units	10,300,000.00	646,095.76
10/01/2006 to 09/30/2007	3	Counsel Select America - Trust Units	14,750,000.00	1,692,750.48
10/01/2006 to 09/30/2007	3	Counsel Select Small Cap - Trust Units	51,541,690.00	4,385,143.16
11/30/2007	24	Cream Minerals Ltd. - Units	670,500.00	1,490,000.00
12/10/2007	21	Cream Minerals Ltd. - Units	567,225.00	1,260,500.00
12/22/2007	11	Dajin Resources Corp. - Flow-Through Shares	735,750.00	1,635,000.00
12/28/2007	8	Discovery PGM Exploration Ltd. - Units	366,800.00	N/A
12/21/2007 to 12/28/2007	18	EarthRenew Organics Ltd. - Preferred Shares	4,765,000.00	N/A
12/28/2007	6	Eastmain Resources Inc. - Common Shares	150,000.00	150,000.00
12/20/2007	18	Elko Energy Inc. - Common Shares	12,038,471.50	2,650,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/27/2007	1	Empirical Inc. - Debentures	1,357,693.00	N/A
03/01/2007 to 12/01/2007	10	Epic Income Fund - Trust Units	1,525,000.00	192,674.86
01/01/2007 to 12/01/2007	96	Epic Limited Partnership - Limited Partnership Units	52,380,019.66	9,523.40
02/01/2007 to 12/01/2007	33	Epic Limited Partnership II - Limited Partnership Units	5,430,076.61	677.90
01/01/2007 to 12/01/2007	484	Epic Trust - Trust Units	32,526,579.22	2,387,821.75
12/16/2007	2	Equimor Mortgage Investment Corporation - Special Shares	59,900.00	N/A
11/28/2007	1	Exploration Orex Inc. - Common Shares	850,000.00	6,538,461.00
12/21/2007	44	Far West Mining Ltd. - Common Shares	3,232,800.00	808,200.00
12/21/2007	29	Ferus Resources Ltd. - Flow-Through Shares	1,200,000.00	10,250,001.00
12/28/2007	1	Fifty-Plus.Net International Inc. - Common Shares	7,100,000.00	71,000,000.00
12/28/2007	1	Fifty-Plus.Net International Inc. - Common Shares	1,250,000.00	12,500,000.00
12/28/2007	1	Fifty-Plus.Net International Inc. - Common Shares	3,000,000.00	30,000,000.00
12/28/2007	1	Fifty-Plus.Net International Inc. - Units	3,000,000.00	30,000,000.00
11/29/2007 to 11/30/2007	2	First Leaside Entities Limited Partnership - Units	301,989.00	301,989.00
12/19/2007 to 12/24/2007	14	First Leaside Entities Limited Partnership - Units	1,595,000.00	1,595,000.00
12/24/2007	1	First Leaside Fund - Trust Units	25,000.00	25,000.00
11/29/2007 to 12/04/2007	4	First Leaside Properties Fund - Trust Units	266,336.00	266,336.00
11/28/2007 to 12/04/2007	4	First Leaside Properties Fund - Trust Units	588,000.00	588,000.00
11/30/2007	1	First Leaside Properties Limited Partnership - Notes	25,000.00	25,000.00
12/21/2007 to 12/24/2007	8	First Leaside Select Limited Partnership - Units	528,492.10	525,599.00
12/24/2007	1	First Leaside Unity Limited Partnership - Notes	86,267.00	86.27
12/19/2007 to 12/24/2007	6	First Leaside Visions Limited Partnership - Limited Partnership Units	540,000.00	540,000.00
11/28/2007	3	First Leaside Wealth Management Inc. - Preferred Shares	544,580.00	554,580.00
12/19/2007	1	First Leaside Wealth Management Inc. - Preferred Shares	200,000.00	200,000.00
12/21/2007	18	First Metals Inc. - Units	3,080,000.00	2,799,996.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/14/2007	27	Fission Energy Corp. - Common Shares	592,300.00	846,143.00
12/17/2007	1	Ford Auto Securitization Trust 2007 - Notes	491,489,000.00	1.00
12/20/2007	2	FountainVest China Growth Fund L.P. - Limited Partnership Units	406,499,996.78	N/A
12/21/2007	49	Freewest Resources Canada Inc. - Common Shares	1,494,440.00	4,370,125.00
12/24/2007 to 12/28/2007	17	General Motors Acceptance Corporation of Canada, Limited - Notes	12,616,093.86	12,616,093.86
12/21/2007	35	GGL Diamond Corp. - Flow-Through Shares	4,014,500.00	16,058,000.00
10/06/2007 to 10/15/2007	6	Global Trader Europe Limited - Contracts for Differences	31,258.50	17,615.00
11/05/2007 to 11/14/2007	6	Global Trader Europe Limited - Contracts for Differences	85,086.00	51,149.00
12/15/2007 to 12/24/2007	6	Global Trader Europe Limited - Contracts for Differences	7,883.50	7,325.00
11/15/2007	1	GMO International Intrinsic Value Fund-II - Units	13,614,728.00	374,543.54
12/18/2007 to 12/20/2007	66	Golden Band Resources Inc. - Flow-Through Shares	10,000,000.00	20,000,000.00
12/14/2007	1	Goldrush Resources Ltd - Common Shares	31,000.00	100,000.00
12/21/2007 to 12/28/2007	43	Grandview Gold Inc. - Units	1,464,550.00	1,312,000.00
12/27/2007	29	Great Western Minerals Group Ltd. - Common Shares	4,300,000.00	10,750,000.00
12/21/2007	14	Grizzley Diamonds Ltd. - Units	2,849,198.30	10,000.00
01/02/2007	2	Groundlayer Capital- The Alpha Fund LP - Units	850,000.00	31,250.00
02/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	1,000,000.00	35,190.00
03/01/2007	2	Groundlayer Capital- The Alpha Fund LP - Units	1,000,000.00	35,264.00
04/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	500,000.00	17,899.00
05/01/2007	3	Groundlayer Capital- The Alpha Fund LP - Units	2,502,840.00	88,537.00
08/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	2,000,000.00	70,042.00
10/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	2,000,000.00	68,840.00
11/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	100,000.00	0.34
12/01/2007	2	Groundlayer Capital- The Alpha Fund LP - Units	1,000,000.00	3.25
02/01/2007	2	Groundlayer Capital- The Alpha Fund LP - Units	600,000.00	1.53
03/01/2007	1	Groundlayer Capital- The Alpha Fund LP - Units	100,000.00	0.26
01/02/2007	6	Groundlayer Capital- The Alpha II Fund LP - Units	4,000,000.00	37,285.78

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
02/01/2007	2	Groundlayer Capital- The Alpha II Fund LP - Units	500,000.00	4,477.08
03/01/2007	2	Groundlayer Capital- The Alpha II Fund LP - Units	500,000.00	4,487.52
04/02/2007	1	Groundlayer Capital- The Alpha II Fund LP - Units	250,000.00	2,277.49
05/01/2007	1	Groundlayer Capital- The Alpha II Fund LP - Units	2,500,000.00	22,484.98
06/01/2007	1	Groundlayer Capital- The Alpha II Fund LP - Units	600,000.00	5,291.47
07/03/2007	1	Groundlayer Capital- The Alpha II Fund LP - Units	1,000,000.00	9,071.87
11/01/2007	1	Groundlayer Capital- The Alpha II Fund LP - Units	250,000.00	2,156.70
10/31/2007	1	Hawker Capital Harrier Fund - Preferred Shares	40,000,000.00	400,000.00
12/27/2007	50	Hemisphere GPS - Warrants	17,500,140.00	N/A
12/10/2007	1	Hologic, Inc. - Notes	5,053,000.00	1.00
11/30/2007	42	InFraReDx, Inc. - Preferred Shares	15,594,135.49	12,984,732.00
01/04/2008	16	Inter-Rock Minerals Inc. - Units	250,000.00	2,500,000.00
12/27/2007	1	International Nickel Ventures Corporation - Common Shares	0.00	2,900,000.00
12/06/2007	10	Intertainment Media Inc. - Debentures	345,450.00	N/A
11/15/2007	4	Intrepid Business Acceleration Fund LP - Units	2,350,010.00	2,350.00
08/27/2007	8	Intrinsic Minerals Ltd. - Common Shares	323,000.00	6,460,000.00
12/21/2007	1	Investindustrial IV L.P. - Limited Partnership Interest	110,400,000.00	N/A
01/01/2007 to 11/01/2007	157	Jemekk Long/Short Fund L.P. - Limited Partnership Units	39,865,000.00	N/A
11/09/2007	57	Junex Inc. - Common Shares	5,749,999.00	4,423,076.00
12/18/2007	3	K12 Inc. - Common Shares	918,090.00	50,500.00
11/08/2007	7	Kakanda Resources Corp. - Common Shares	4,130,000.00	14,000,000.00
12/21/2007	4	Kids & Company Ltd. - Special Shares	2,000,000.00	2,075,000.00
12/11/2007	1	Klondike Gold Corp. - Common Shares	3,750.00	50,000.00
11/27/2007	129	Kodiak Exploration Limited - Common Shares	53,924,023.60	N/A
12/21/2007 to 12/27/2007	21	KWG Resources Inc. - Units	1,835,708.00	N/A
11/29/2007	283	Lakeside Steel Corporation - Units	10,000,000.08	23,809,524.00
12/31/2007	4	Lakota Resources Inc. - Common Shares	75,000.00	375,000.00
12/20/2007	193	Laricina Energy Ltd. - Common Shares	176,337,220.00	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/18/2007	1	LaSalle Mexico Fund I Investors A, L.P. - Limited Partnership Interest	45,000,000.00	N/A
12/21/2007	49	Lero Gold Corp. - Common Shares	2,500,000.00	10,000,000.00
10/15/2007	32	Limited Partnership Land Pool 2007 - Limited Partnership Units	5,591,315.37	5,774,480.00
11/26/2007	13	LP RRSP Limited Partnership #1 - Limited Partnership Units	579,180.00	821,000.00
11/27/2007	48	MAG Silver Corp. - Common Shares	46,500,000.00	3,000,000.00
12/19/2007	26	MagIndustries Corp. - Units	38,223,450.00	N/A
12/18/2007	1	MedAssets Inc - Common Shares	158,336.00	10,000.00
12/20/2007	38	Merrex Gold Inc. - Flow-Through Shares	3,099,970.25	N/A
12/31/2007	7	Moncoor Oil & Gas Corp. - Units	496,693.00	N/A
11/26/2007	1	Moneta Porcupine Mines Inc. - Common Shares	569,400.00	4,380,000.00
12/27/2007	32	Moneta Porcupine Mines Inc. - Units	1,786,353.00	2,499,980.00
12/04/2007	1	MPH Ventures Corp. - Common Shares	6,375.00	25,000.00
11/08/2007	7	Myrex Pharmaceuticals Inc. - Units	147,500.00	245,000.00
12/21/2007	1	neuroLanguage Corporation - Units	600,000.00	N/A
12/21/2007	1	NewPage Corporation - Notes	452,520.00	N/A
10/01/2007 to 10/10/2007	11	Newport Canadian Equity Fund - Units	488,707.93	3,305.27
10/04/2007 to 10/15/2007	5	Newport Fixed Income Fund - Units	297,046.13	2,954,587.00
10/01/2007 to 10/10/2007	11	Newport Global Equity Fund - Units	169,000.00	2,063.23
12/17/2007 to 12/21/2007	54	Newport Yield Fund - Units	720,124.84	5,941.68
10/01/2007 to 10/15/2007	26	Newport Yield Fund - Units	725,305.78	5,780.06
12/18/2007	3	NewStep Networks Inc. - Preferred Shares	3,582,517.23	15,482,981.00
12/28/2007	56	Nordic Oil and Gas Ltd. - Units	1,354,399.50	4,514,665.00
12/28/2007	5	Northern Continental Resources Inc. - Units	1,540,000.00	N/A
12/20/2007	4	Northern Star Mining Corp. - Common Shares	1,496,000.00	1,360,000.00
12/28/2007	36	NXA Inc. - Units	1,466,900.02	N/A
12/21/2007	6	OneChip Photonics Inc. - Exchangeable Shares	4,499,803.45	N/A
12/20/2007 to 12/24/2007	2	Open Access Limited - Units	350,000.00	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/20/2007	27	Open Range Energy Corp. - Flow-Through Shares	7,000,395.00	2,029,100.00
12/18/2007	31	Oro Gold Resources Ltd. - Units	2,427,449.25	3,236,599.00
12/17/2007	13	Osta Biotechnologies Inc. - Common Shares	204,100.00	680,332.00
12/28/2007	3	Pele Mountain Resources Inc. - Units	265,000.00	N/A
12/19/2007	18	PFC 2017 Pacific Financial Corp. - Bonds	1,563,000.00	1,563.00
12/21/2007	10	Phoenix Matachewan Mines Inc. - Flow-Through Shares	1,100,000.00	10,600,000.00
01/02/2008	1	Promittere Retirement Trust - Units	23,750.00	N/A
12/20/2007 to 12/21/2007	22	Purecell Technologies Inc. - Common Shares	13,871,987.00	N/A
12/18/2007	1	Quality Distribution LLC and QD Capital Corporation - Notes	1,878,600.00	1.00
12/21/2007	6	Redbourne Realty Fund I Limited Partnership - Units	1,832,564.00	1,832.56
12/21/2007	6	Redbourne Realty Fund Inc. - Common Shares	4,667,388.00	4,667.39
12/17/2007 to 12/21/2007	6	Renegade Oil & Gas Ltd. - Flow-Through Shares	183,750.00	N/A
12/17/2007	1	Rockwood-LaSalle Limited Partnership - Loans	25,000.00	N/A
12/21/2007	10	Rolland Energy Inc. - Common Shares	200,939.76	3,118,796.00
11/07/2007	28	Route1 Inc. - Units	7,766,479.92	64,720,666.00
12/20/2007	27	Rx Exploration Inc. - Flow-Through Shares	2,361,000.00	N/A
12/31/2007	30	San Gold Corporation - Common Shares	2,169,530.74	1,283,746.00
12/24/2007 to 12/27/2007	22	Seafield Resources Ltd. - Units	1,153,900.00	2,186,143.00
12/07/2007	1	Sedex Mining Corp. - Common Shares	43,750.00	250,000.00
12/19/2007	16	Shear Minerals Ltd. - Common Shares	3,197,449.50	4,263,266.00
12/20/2007	59	Sky Ridge Resources Ltd. - Receipts	1,100,000.00	22,000,000.00
12/24/2007	1	Slam Exploration Ltd. - Flow-Through Shares	1,000,000.00	4,000,000.00
11/27/2007	1	Slam Exploration Ltd. - Flow-Through Units	250,000.00	1,000,000.00
12/17/2007 to 12/18/2007	86	Southern Arc Minerals Inc. - Units	11,112,403.20	N/A
12/31/2007	49	Sterling Diversified Fund - Limited Partnership Units	12,926,417.16	12,926,417.16
12/31/2007	34	Sterling Growth Fund - Limited Partnership Units	3,510,717.97	3,460,717.97
12/21/2007	48	Stetson Oil & Gas Ltd. - Units	2,878,000.00	14,390,000.00
11/19/2007	4	St. Andrew Goldfields Ltd. - Common Shares	10,426,302.70	18,956,914.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/28/2007	1	Tagish Lake Gold Corp. - Flow-Through Shares	400,000.00	2,352,941.00
12/19/2007	104	Temple Energy Inc. - Common Shares	13,707,988.66	N/A
12/06/2007	1	Texas Competitive Electric Holdings Company LLC - Notes	562,265.00	1.00
12/21/2007	25	TheraVitae Inc - Units	776,025.50	1,034,701.00
12/21/2007	1	Torrential Energy Ltd. - Common Shares	10,000.00	25,000.00
12/27/2007	4	Tribune Uranium Corp - Units	1,499,998.50	1,428,570.00
12/19/2007	60	Trilogy Metals Inc. - Receipts	9,474,381.05	11,304,048.00
11/28/2007	17	Tucano Exploration Inc. - Units	2,855,000.00	5,710,000.00
12/17/2007 to 12/21/2007	59	Unitech Energy Corp. - Warrants	1,350,000.00	N/A
12/21/2007	8	United Reef Limited - Units	115,000.00	1,437,000.00
12/27/2007	5	Unor Inc. - Flow-Through Shares	2,150,000.00	2,150,000.00
12/31/2007	6	Ursa Major Minerals Incorporated - Flow-Through Shares	1,214,315.10	1,428,606.00
12/21/2007	20	Valere Mining Ltd. - Flow-Through Shares	985,000.00	10,250,000.00
12/21/2007	3	Vencan Gold Corporation - Units	1,000,000.00	10,000,000.00
12/04/2007	1	Virginia Electric and Power Company - Notes	5,052,200.00	4,998,300.00
12/11/2007	1	VisionChina Media Inc. - Common Shares	40,400.00	5,000.00
12/21/2007	36	Walton AZ Picacho View 2 Investment Corporation - Common Shares	998,870.00	99,887.00
12/21/2007	13	Walton AZ Picacho View Limited Partnership 2 - Limited Partnership Units	1,724,969.37	17,187.00
12/21/2007	21	Walton Brant County Land 2 Investment Corporation - Common Shares	594,090.00	59,409.00
12/21/2007	43	Walton Brant County Land Limited Partnership 2 - Limited Partnership Units	1,744,090.00	174,409.00
12/28/2007	26	Wesdome Gold Mines Inc. - Common Shares	3,986,596.50	2,657,731.00
12/21/2007	2	Westboro Mortgage Investment Corp. - Preferred Shares	250,000.00	25,000.00
12/06/2007	4	Western Warrior Resources Inc. - Units	1,000,000.00	3,225,806.00
11/30/2007 to 12/04/2007	2	Wimberly Apartments Limited Partnership - Units	417,113.34	588,984.00
12/21/2007	1	Wimberly Apartments Limited Partnership - Units	99,439.90	142,857.00
01/04/2008	1	Windsor Auto Trust - Notes	48,145,698.87	N/A
12/06/2007	1	Windsor Auto Trust - Notes	27,477,015.97	1.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/17/2007	1	Xinyuan Real Estate Co. Ltd. - American Depository Shares	564,088.00	N/A
12/07/2007	3	xkoto Inc. - Common Shares	1,384,813.56	N/A
12/17/2007	2	xkoto (U.S.) Inc. - Stock Option	4.74	N/A
12/14/2007	2	Yingli Green Energy Holding Company Limited - Notes	1,166,550.00	N/A
12/28/2007	12	Yoho Resources Inc. - Flow-Through Shares	2,295,000.00	850,000.00
12/20/2007 to 12/27/2007	23	Yukon Zinc Corporation - Units	6,918,000.40	N/A
12/18/2007	41	Zaio Corporation - Units	15,015,000.00	13,650,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
MAJOR GOLD LTD.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated December 31, 2007
Mutual Reliance Review System Receipt dated January 2, 2008
Offering Price and Description:
$1,000,000.00 - 4,000,000 common shares Price: $0.25 per common share
Underwriter(s) or Distributor(s):
GLOBAL SECURITIES CORPORATION
Promoter(s):
Robert Anderson
Peter Hughes
Project #1203277

Issuer Name:
Norrep Performance 2008 Flow-Through Limited Partnership
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated December 28, 2007
Mutual Reliance Review System Receipt dated January 3, 2008
Offering Price and Description:
$60,000,000.00 (Maximum Offering); $10,000,000.00 (Minimum Offering) A minimum of 1,000,000 Limited Partnership Units and a maximum of 6,000,000 Limited Partnership Units Purchase Price: $10.00 per Unit
Minimum Purchase: 1,000 Units ($10,000)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Richardson Partners Financial Limited
TD Securities Inc.
Blackmont Capital Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
GMP Securities L.P.
Macquarie Capital Markets Inc.
Wellington West Capital Inc.
Promoter(s):
Hesperian Capital Management Ltd.
Project #1203454

Issuer Name:
Oil Optimization Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary CPC Prospectus dated January 3, 2008
Mutual Reliance Review System Receipt dated January 3, 2008
Offering Price and Description:
$400,000.00 - 2,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
David V. Richards
Project #1203616

Issuer Name:
Trident Performance Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated January 2, 2008
Mutual Reliance Review System Receipt dated January 4, 2008
Offering Price and Description:
$ * (Maximum) - $ * (Maximum)
* Class A Units - * Class F Units
Each Class A Unit consisting of one Class A Share and one Class A Warrant to acquire one Class A Share
Each Class F Unit consisting of one Class F Share and one Class F Warrant to acquire one Class F Share
Price: $10.00 per Class A Unit
Minimum Purchase: 200 Class A Units
Price: $10.00 per Class F Unit
Minimum Purchase: 200 Class F Units
Underwriter(s) or Distributor(s):
TD Securities Inc.
Blackmont Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Canaccord Capital Corporation
Dundee securities Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Desjardins Securities Inc.
Richardson Partners Financial Limited
Wellington West Capital Inc.
Promoter(s):
CI Investments Inc.
Project #1203972

Issuer Name:
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Final Short Form Base Shelf Prospectus dated January 4, 2008
Mutual Reliance Review System Receipt dated January 4, 2008
Offering Price and Description:
$6,000,000,000.00:
Debt Securities (subordinated indebtedness)
Common Shares
Class A Preferred Shares
Class B Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1200298

Issuer Name:
Brigata Canadian Balanced Fund
Brigata Canadian Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated January 3, 2008
Mutual Reliance Review System Receipt dated January 4, 2008
Offering Price and Description:
Mutual fund trust units at net asset value
Underwriter(s) or Distributor(s):
Independent Planning Group Inc.
Promoter(s):
Brigata Capital Management Inc.
Project #1177785

Issuer Name:
Cache Exploration Inc.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated December 31, 2007
Mutual Reliance Review System Receipt dated January 7, 2008
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Research Capital Corporation
Promoter(s):
Thomas Kennedy
Project #1179200

Issuer Name:
Dundee Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 7, 2008
Mutual Reliance Review System Receipt dated January 7, 2008
Offering Price and Description:
$125,000,000.00 - 6.0% Convertible Unsecured Subordinated Debentures due December 31, 2014
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Berkshire Securities Inc.
Canaccord Capital Corporation
Raymond James Ltd.
GMP Securities L.P.
IPC Securities Corporation
Jory Capital Inc.
Wellington West Capital Inc.
Promoter(s):
FAIRCOURT NOVADX HOLDINGS CORP.
Project #1201321

Issuer Name:
Series A, Series B, Series F, Series T5, Series T8, Series S5, and Series S8 Shares of:
Fidelity Greater Canada Class
(formerly Fidelity Canadian Equity Class)
of
Fidelity Capital Structure Corp
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated January 2, 2008
Mutual Reliance Review System Receipt dated January 3, 2008
Offering Price and Description:
Mutual fund shares at net asset value
Underwriter(s) or Distributor(s):
Fidelity Capital Structure Corp.
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Capital Structure Corp.
Project #1186193

Issuer Name:
Series A, Series B, Series F and Series O units of (unless otherwise indicated):
Fidelity Greater Canada Fund
(formerly Fidelity Canadian Equity Fund) (Series T5, T8, S5 and S8 units also available)
Fidelity Income Replacement 2017 Portfolio
Fidelity Income Replacement 2019 Portfolio
Fidelity Income Replacement 2021 Portfolio
Fidelity Income Replacement 2023 Portfolio
Fidelity Income Replacement 2025 Portfolio
Fidelity Income Replacement 2027 Portfolio
Fidelity Income Replacement 2029 Portfolio
Fidelity Income Replacement 2031 Portfolio
Fidelity Income Replacement 2033 Portfolio
Fidelity Income Replacement 2035 Portfolio
Fidelity Income Replacement 2037 Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated January 2, 2008
Mutual Reliance Review System Receipt dated January 3, 2008
Offering Price and Description:
Mutual fund trust units at net asset value
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Investments Canada ULC
Project #1179796

Issuer Name:
Class A, C, I, and O Units (unless otherwise indicated) of:
Frontiers Canadian Short Term Income Pool (Class A Units only)
Frontiers Canadian Fixed Income Pool
Frontiers Canadian Monthly Income Pool
Frontiers Canadian Equity Pool
Frontiers U.S. Equity Pool
Frontiers International Equity Pool
Frontiers Emerging Markets Equity Pool
Frontiers Global Bond Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated December 20, 2007
Mutual Reliance Review System Receipt dated January 2, 2008
Offering Price and Description:
Trust units at net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
CIBC Asset Management Inc.
Project #1174063

Issuer Name:
ING DIRECT Streetwise Balanced Class
ING DIRECT Streetwise Balanced Growth Class
ING DIRECT Streetwise Balanced Income Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated January 2, 2008
Mutual Reliance Review System Receipt dated January 2, 2008
Offering Price and Description:
Mutual fund securities at net asset value
Underwriter(s) or Distributor(s):
ING Direct Funds Limited
Promoter(s):
ING Asset Management Limited
Project #1170221

Issuer Name:
Series A and Series F Shares of :
RBC Dominion Securities U .S. Focus List Portfolio
of
FT Mutual Fund Corporation
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus and Annual Information Form dated December 21st, 2007, amending and restating the Simplified Prospectus and Annual Information Form dated November 30th, 2007
Mutual Reliance Review System Receipt dated January 3, 2008
Offering Price and Description:
Series A and F Shares
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Co.
Promoter(s):
First Defined Portfolio Management Co.
Project #1172556

Issuer Name:
The Millennium BullionFund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated December 14, 2007 to the Simplified Prospectus and Annual Information Form dated March 9, 2007
Mutual Reliance Review System Receipt dated January 2, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Bullion Management Services Inc.
Project #1044533

Issuer Name:
Class A Shares, Series A
Class A Shares, Series B
Class A Shares, Series C
Class A Shares, Series F
of:
The Vengrowth Traditional Industries Fund Inc .
The VenGrowth Advanced Life Sciences Fund Inc .
The VenGrowth III Investment Fund Inc
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated December 24, 2007 to the Prospectus dated December 7, 2007
Mutual Reliance Review System Receipt dated January 4, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ACFO/ACAF Sponsor Corp.
Project #1173206

Issuer Name:
The VenGrowth Investment Fund Inc.
Class A Shares, Series A
Class A Shares, Series B
Class A Shares, Series C
Class A Shares, Series F
Type and Date:
Amendment #1 dated December 24, 2007 to the Prospectus dated December 7, 2007
Receipted on January 2, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ACFO/ACAF Sponsor Corp.
Project #1172363

Issuer Name:
VentureLink Brighter Future Fund Inc.
(Class A Shares, Series III, Class A Shares, Series IV and Class A Shares , Series VI)
Type and Date:
Amendment #1 dated December 27, 2007 to the Prospectus dated August 24, 2007
Receipted on January 3, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
VentureLink LP
CFPA Sponsor Inc.
Project #1131518

Issuer Name:
VentureLink Diversified Income Fund Inc.
(Class A Shares, Series III, Class A Shares, Series IV and Class A Shares , Series VI)
Type and Date:
Amendment #1 dated December 27, 2007 to the Prospectus dated August 24, 2007
Receipted on January 3, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
VL Advisors Inc.
Promoter(s):
CFPA Sponsor Inc.
VentureLink LP
Project #1131520

Issuer Name:
VentureLink Financial Services Innovation Fund Inc.
(Class A Shares, Series III, Class A Shares, Series IV and Class A Shares , Series VI)
Type and Date:
Amendment #2 dated December 27, 2007 to the Prospectus dated August 24, 2007
Receipted on January 3, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CFPA Sponsor Inc.
VentureLink LP
Project #1131525

Issuer Name:
SINOMAR CAPITAL CORP.
Principal Jurisdiction - Alberta
Type and Date:
Preliminary CPC Prospectus dated October 10th, 2006
Withdrawn on January 2nd, 2008
Offering Price and Description:
Maximum Offering: $1,000,000.20 (3,333,334 Common Shares)
Minimum Offering: $700,000.20 (2,333,334 Common Shares)
Price: $0.30 per Common Share
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
Victor I. H. Sun
Harry L. Hopmeyer
Project #1001399

Issuer Name:
Constellation Software Inc.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 12th, 2007
Closed on January 8th, 2008
Offering Price and Description:
C$ *- * Common Shares
Price: C$ * per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
Cormark Securities Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1157823

Issuer Name:
Retrocom Growth Fund Inc.
Principal Jurisdiction - Ontario
Type and Date:
Amendment to the Prospectus dated December 28th, 2005
Closed on January 3rd, 2008
Offering Price and Description:
Class A Series I Shares
Class A Series V Shares
and
Class C Series 11 Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Retrocom Investment Management Inc
Project #721970

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Grossman Asset Management, Inc. To: QFS Asset Management, Inc.	Commodity Trading Manager (Non-Resident).	December 18, 2007
Change of Category	Scotia Cassels Investment Counsel Limited	From: Investment Counsel and Portfolio Manager under the *Securities Act* and Commodity Trading Manager under the *Commodity Futures Act* To: Limited Market Dealer, Investment Counsel/Portfolio Manager and Commodity Trading Manager	December 19, 2007
Name Change	From: Trilon Securities Corporation To: Brookfield Financial Corp./Corp. Brookfield Financier	Investment Dealer	December 20, 2007
Change of Category	Scrim Investments Inc.	From: Investment Counsel To: Investment Counsel and Portfolio Manager	December 20, 2007
Change of Category	York Investment Strategies Inc.	From: Limited Market Dealer & Investment Counsel & Portfolio Manager To: Limited Market Dealer	December 21, 2007
Voluntary Surrender of Registration	ING Wealth Management Inc.	Mutual Fund Dealer, Limited Market Dealer	December 27, 2007

Type	Company	Category of Registration	Effective Date
Name Change	From: Acadian Asset Management, Inc. To: Acadian Asset Management, LLC	International Adviser (Investment Counsel & Portfolio Manager)	December 29, 2007
Name Change	From: Faithlife Investment Management Inc. To: FI Capital Ltd.	Limited Market Dealer & Investment Counsel & Portfolio Manager	January 1, 2008
Name Change	From: IPC Portfolio Management Ltd. To: Counsel Group of Funds Inc.	Investment Counsel & Portfolio Manager	January 1, 2008
New Registration	AGFIA Limited	Non-Canadian adviser (investment counsel & portfolio manager)	January 2, 2008
New Registration	Collins/Bay Island Securities LLC	Limited Market Dealer	January 3, 2008
Change of Category	Bridgeport Asset Management Inc.	From: Investment Counsel & Portfolio Manager To: Investment Counsel & Portfolio Manager & Limited Market Dealer	January 4, 2008
Change of Category	Western Asset Management Company	From: International Adviser (Investment Counsel & Portfolio Manager) To: International Adviser (Investment Counsel & Portfolio Manager) & Commodity Trading Manager (Non-Resident)	January 7, 2008
New Registration	BCV Asset Management Inc.	Investment Counsel & Portfolio Manager	January 8, 2008
New Registration	CMC Markets Asia Pacific Pty Ltd	International Dealer	January 8, 2008
New Registration	CMC Markets UK PLC	International Dealer	January 8, 2008

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Hearing Panel Issues Decision and Reasons Respecting Berkshire Investment Group Inc. Settlement Hearing

NEWS RELEASE
For immediate release

MFDA HEARING PANEL ISSUES DECISION
AND REASONS RESPECTING
BERKSHIRE INVESTMENT GROUP INC.
SETTLEMENT HEARING

January 7, 2008 (Vancouver, British Columbia) – A Hearing Panel of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA") has issued its Decision and Reasons in connection with the settlement hearing held in Vancouver, British Columbia on December 13, 2007 in respect of Berkshire Investment Group Inc.

A copy of the Decision and Reasons is available on the MFDA website at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 159 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

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Chapter 25

Other Information

25.1 Exemptions

25.1.1 Canada Dominion Resources 2008 Limited Partnership - OSC Rule 41-501 General Prospectus Requirements, Part 15

Headnote

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.

December 21, 2007

Stikeman Elliott LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Ontario
M5L 1B9

Attention: Puneet Soni

Dear Sirs/Mesdames:

Re: Canada Dominion Resources 2008 Limited Partnership (the "Partnership")
Exemptive Relief Application under Part 15 of OSC Rule 41-501 General Prospectus Requirements ("Rule 41-501")
Application No. 2007/1073, SEDAR Project No. 1197866

By letter dated December 14, 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 offices of the General Partner;

   b. from SEDAR;

   c. upon written request to the General Partner; and

   d. from the website of the Manager.

Yours very truly,
"Vera Nunes"
Assistant Manager, Investment Funds

25.1.2 CMP 2008 Resource Limited Partnership - OSC Rule 41-501 General Prospectus Requirements, s. 15.1

Headnote

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.

December 21, 2007

Stikeman Elliott LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Ontario
M5L 1B9

Attention: Chris MacIntyre

Dear Sirs/Mesdames:

Re: CMP 2008 Resource Limited Partnership (the "Partnership")
Exemptive Relief Application under Part 15 of OSC Rule 41-501 General Prospectus Requirements ("Rule 41-501")
Application No. 2007/1074, SEDAR Project No. 1197889

By letter dated December 14, 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 offices of the General Partner;
   b. from SEDAR;
   c. upon written request to the General Partner; and
   d. from the website of the Manager.

Yours very truly,

"Vera Nunes"
Assistant Manager, Investment Funds

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