The Ontario Securities Commission

OSC Bulletin

May 14, 2004

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

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

MAY 14, 2004

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

\- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
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Harold P. Hands	—	HPH
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

SCHEDULED OSC HEARINGS

DATE: TBA	**Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation**
	s. 127
	E. Cole in attendance for Staff
	Panel: TBA
DATE: TBA	**Patrick Fraser Kenyon Pierrepont Lett, Milehouse Investment Management Limited, Pierrepont Trading Inc., BMO Nesbitt Burns Inc.*, John Steven Hawkyard+ and John Craig Dunn**
	s. 127
	K. Manarin in attendance for Staff
	Panel: HLM/MTM/ST
	* BMO settled Sept. 23/02 + April 29, 2003
May 12-14, 2004	**John Craig Dunn**
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: WSW/PKB
June 18, 2004	**Donald Parker**
9:30 a.m.	s. 127
	K. Wootton in attendance for Staff
	Panel: SWJ/RWD/ST
June 9, 2004	**Gregory Hyrniw and Walter Hyrniw**
10:00 a.m.	s. 127
	K. Wootton in attendance for Staff
	Panel: HLM/HPH/PKB

June 24, 2004 10:00 a.m.	**Donald Greco** s. 8(2) and 21.7 A. Clark in attendance for Staff Panel: PMM/SWJ/RLS
July 26, 2004 (on or about) 10:00 a.m.	**Brian Anderson and Flat Electronic Data Interchange ("F.E.D.I.")** s. 127 K. Daniels in attendance for Staff Panel: HLM/RLS
October 18 to 22, 2004 October 27 to 29, 2004 November 2, 3, 5, 8, 10-12, 15, 17, 19, 2004 10:00 a.m.	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub** s. 127 M. Britton in attendance for Staff Panel: PMM/MTM/PKB

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

Global Privacy Management Trust and Robert Cranston

Philip Services Corporation

Robert Walter Harris

Andrew Keith Lech

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

1.1.2 Notice of Commission Approval – Proposed Amendments to IDA By-law 20 Regarding Association Hearing Processes

THE INVESTMENT DEALERS ASSOCIATION (IDA)

PROPOSED IDA BY-LAW NO. 20, RULES OF PRACTICE AND PROCEDURE, AND CONSEQUENTIAL AMENDMENTS TO IDA'S BY-LAWS 2, 4, 11, 28, 30, 33 AND 35 AND POLICY 6 REGARDING ASSOCIATION HEARING PROCESSES (PROPOSED AMENDMENTS)

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission (OSC) approved proposed amendments regarding the Association's hearing processes. In addition, the Alberta Securities Commission (ASC) approved and the British Columbia Securities Commission (BCSC) did not object to the proposed amendments. The proposed amendments, among other things, rationalized all IDA hearing processes within one By-law, and modernized the hearing processes to reflect administrative law principles.

A copy and description of the proposed amendments were published on November 7, 2003, at (2003) 26 OSCB 7380. Two comment letters were received during the comment period. As a result of the comments received and staff review, the IDA has made non-material changes to the proposed amendments which clarify the proposed amendments. The revised proposed amendments that were approved by the OSC and the ASC and non-objected to by the BCSC, together with the IDA's summary of public comments and responses, are contained in Chapter 13 of this Ontario Securities Commission Bulletin.

1.1.3 OSC Notice 51-714 OSC Continuous Disclosure Advisory Committee

ONTARIO SECURITIES COMMISSION NOTICE 51-714

OSC CONTINUOUS DISCLOSURE ADVISORY COMMITTEE

The Ontario Securities Commission is inviting new applications for membership on its Continuous Disclosure Advisory Committee (CDAC).

The activities of the OSC's Corporate Finance Branch include reviewing continuous disclosure filings made by reporting issuers, addressing policy issues in the area of continuous disclosure, and monitoring external sources for possible CD issues. It also works to increase awareness of continuous disclosure issues and to effect greater discipline in the marketplace with respect to continuous disclosure obligations.

The Commission recognizes the critical importance of consulting with industry participants and other stakeholders in carrying out its mandate. The CDAC, established in 2002, advises staff on a range of matters including the planning, implementation and communication of its review program, and policy- and rule-making initiatives. The CDAC also serves as a forum to make staff aware of emerging issues and to critically assess its procedures.

The CDAC is made up of approximately fifteen individual members. The CDAC generally meets five times a year and members serve two-year terms. Members are expected to have extensive knowledge of continuous disclosure issues and a strong interest in securities regulatory policy as it relates to these issues. The CDAC is chaired by a Commission staff representative. The current chair is John Hughes.

Representatives of reporting issuers, industry associations and other interested persons are invited to apply in writing for membership on the CDAC indicating their areas of practice and relevant experience. Interested parties should submit their application by June 15, 2004. Applications and any queries regarding this Notice may be forwarded to:

John Hughes
Manager, Corporate Finance
Ontario Securities Commission
416-593-3695
jhughes@osc.gov.on.ca

1.1.4 Daniel Duic Reasons for Decision Correction Notice

DANIEL DUIC REASONS FOR DECISION CORRECTION NOTICE

The costs to be paid by Daniel Duic, as ordered by the Commission on March 3, 2004 were $25,000. Inaccurate information about these costs was published in the headnote to the Reasons for Decision in the OSC Bulletin of March 12, 2004, at (2004) 27 OSCB 2754. The OSC regrets the error.

1.1.5 Notice of Commission Approval – Amendments to IDA Regulation 1300.1 – Know Your Client Requirements for Non-Individual Accounts

THE INVESTMENT DEALERS ASSOCIATION OF CANADA ("IDA") NOTICE OF COMMISSION APPROVAL AMENDMENTS TO IDA REGULATION 1300.1 – KNOW YOUR CLIENT REQUIREMENTS FOR NON-INDIVIDUAL ACCOUNTS

The Ontario Securities Commission approved amendments to IDA Regulation 1300.1, Know your client requirements for non-individual accounts subject to the condition that no later than one year after the implementation of the proposal, IDA staff prepare and file as soon as possible thereafter a report with the CSA that provides data to establish the time it has taken Members to verify the identities of the beneficial owner, settlors, or beneficiaries of non-individual accounts during the preceding 12 month period, and revisit whether the six month timeline is appropriate. In addition, the Alberta Securities Commission approved and the British Columbia Securities Commission did not object to the amendments subject to the same condition. The amendments to Regulation 1300.1 clarify a Member's obligations to identify and verify beneficial owners for non-individual accounts. A copy and description of these amendments were published on July 11, 2003 at (2003) 26 OSCB 5394. A summary of the public comments received is contained in Chapter 13 of this Bulletin.

1.1.6 CNQ Recognition as a Stock Exchange - Notice of Commission Approval

CANADIAN TRADING AND QUOTATION SYSTEM RECOGNITION AS A STOCK EXCHANGE

NOTICE OF COMMISSION APPROVAL

On May 7, 2004, the Commission recognized the Canadian Trading and Quotation System (CNQ) as a stock exchange. The Commission also revoked the order, dated February 28, 2003, recognizing CNQ as a QTRS.

In connection with the recognition, the Commission approved the following documents:

1. **Recognition order with terms and conditions** – The Commission issued an order recognizing CNQ with terms and conditions based on recognition criteria. The order also revokes the previous Commission order recognizing CNQ as a QTRS. A copy of the recognition order is published in Chapter 2 of this bulletin.

2. **Amendments to CNQ Rules, Policies and Forms** – The Commission approved amendments to CNQ's rules, policies and forms that were required to reflect CNQ's recognition as a stock exchange. The amendments are published in Chapter 13 of this bulletin. They have been blacklined to show changes made from the version that was published for comment.

The CNQ application for recognition as a stock exchange was published for comment on November 21, 2003 at (2003) 26 OSCB 7643. Three comments were received. A summary of comments and the response prepared by CNQ is published in Chapter 13.

1.1.7 Notice of Proposed Amendment to and Restatement of National Instrument 55-101 and Companion Policy 55-101CP Exemption from Certain Insider Reporting Requirements

NOTICE OF PROPOSED INSTRUMENT AND COMPANION POLICY

PROPOSED AMENDMENT TO AND RESTATEMENT OF NATIONAL INSTRUMENT 55-101 AND COMPANION POLICY 55-101CP

EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS

Request for Public Comment

The Canadian Securities Administrators (the CSA) are publishing for a 90-day comment period the following documents:

- National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (the Proposed Instrument), and

- Companion Policy 55-101CP *Exemption from Certain Insider Reporting Requirements* (the Proposed Policy).

The Proposed Instrument and the Proposed Policy are published in Chapter 6 of the Bulletin. We request comments on the proposed materials by **August 13, 2004**.

1.3 News Releases

1.3.1 OSC Teams to Begin On-Site Visits as Mutual Fund Probe Moves into Phase Three

FOR IMMEDIATE RELEASE
May 10, 2004

OSC TEAMS TO BEGIN ON-SITE VISITS AS MUTUAL FUND PROBE MOVES INTO PHASE THREE

TORONTO – The Ontario Securities Commission (OSC) today announced that joint Compliance and Enforcement teams will begin Phase Three of a probe into potential market timing and late trading abuses by conducting on-site reviews of certain mutual fund managers identified in the second phase of the inquiry. The reviews, which will take place over the next few months, follow an analysis of procedures and raw data requested by the Commission from 31 fund managers earlier this year. Based on the findings from the initial visits, teams could conduct site reviews of as many as half of the list of 31.

"Right now, we're following up on preliminary indicators identified in the first two phases of our inquiry," OSC Chair David Brown said. "We're seeing things that may be explainable – but, obviously, we need to examine them closely to determine what they mean.

"We've said from the beginning that we intend to gather the facts – and then act upon those facts. That's exactly what we are doing," Brown said. "Once Phase Three is completed, we'll take any regulatory action - including enforcement proceedings – that may be necessary to reaffirm investors' trust in the mutual fund industry."

Although the OSC will assume the lead role in the on-site visits, it will continue to work cooperatively and share information with the Investment Dealers Association (IDA) and Mutual Fund Dealers Association (MFDA) during this third and final phase of the inquiry. Both the IDA and MFDA will participate in this stage of the probe, including joining the on-site visits to lend their special expertise. The OSC will also coordinate with other regulators, including members of the Canadian Securities Administrators (CSA), the umbrella organization for Securities Commissions across the country.

Each fund manager targeted in Phase Three will receive a letter from the OSC a couple of business days in advance of their visit. The letter will specify what additional information and documents the fund manager will be expected to provide.

Late trading is illegal and occurs when purchase or redemption orders are received after the close of business, but are filled at that day's price rather than the next day's price. Late trading is a violation of National Instrument 81-102, a nationally-adopted instrument that regulates mutual funds.

Market timing involves short-term trading of mutual fund securities to take advantage of short-term discrepancies between the price of a mutual fund's securities and the stale values of the securities within the fund's portfolio. Where it happens, market timing may be in violation of mutual fund policies and regulatory requirements. Further, the heavy trading creates transaction costs, which can reduce returns of other longer-term investors.

In November, 2003, the OSC launched Phase One of the probe by sending a letter to 105 managers of publicly offered retail mutual funds that trade in Ontario. The letter required them to confirm that they have effective policies and procedures in place to detect and prevent trading abuses, such as late trading and market timing. Following this, in February of this year, the OSC initiated Phase Two by requesting more detailed information from 31 of the 105 fund managers originally surveyed. These 31 fund managers were selected based on the information they provided in Phase One and also included a random sampling of fund managers.

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

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Canadian Forest Products Ltd. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

May 7, 2004

Lawson Lundell
1600-925 W. Georgia Street
Vancouver, BC V6C 3L2

Attention: David Allard

Dear Mr. Allard:

Re: Canadian Forest Products Ltd. (formerly, Slocan Forest Products Ltd (the Applicant)) – Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Manitoba, Saskatchewan, Ontario and Québec (collectively, the Jurisdictions)

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

As the Applicant has represented to the Decision Makers that,

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

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

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

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

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

“Charlie MacCready”

2.1.2 Ignition Point Technologies Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issuer bid made for approximately 20% of the outstanding securities of the issuer to increase liquidity for shareholders and reduce the discount to net asset value at which the shares of the issuer trade. Exemption from the valuation requirement granted. Insiders of the issuer do not stand to benefit from the bid since their holdings are small and will only marginally increase as a result of the bid. There is no appreciable conflict of interest for the issuer's insiders.

Applicable Rule

61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 3.3, 3.4, and 9.1.

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

AND

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

AND

IN THE MATTER OF
IGNITION POINT TECHNOLOGIES CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Québec and Ontario (the "Jurisdictions") has received an application from Ignition Point Technologies Corp. ("IPN") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that IPN be exempt from the requirements in the Legislation to obtain a formal valuation of its common shares and to provide a summary of the valuation in its issuer bid circular (together, the "Valuation Requirement") in connection with the proposed purchase by IPN of up to 1.5 million of its common shares by way of an issuer bid;

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

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

AND WHEREAS IPN has represented to the Decision Makers that:

1. IPN's head office is in Vancouver, B.C.;

2. IPN is a reporting issuer in British Columbia, Alberta and Ontario, has been a reporting issuer in those jurisdictions for more than 12 months and is not in default of any requirements of the Legislation;

3. IPN's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series;

4. as at February 3, 2004, there were 7,418,021 common shares outstanding and no preferred shares outstanding;

5. IPN's common shares are listed and traded on the TSX Venture Exchange (the "Exchange");

6. on March 24, 2004, the closing price of the common shares on the Exchange was $0.65 per common share, resulting in an aggregate market value of approximately $4,822,000 for the common shares on that date;

7. the market for IPN's common shares on the Exchange is illiquid;

8. IPN commenced a normal course issuer bid on August 16, 2001, which was renewed for another year on August 27, 2003;

9. IPN is a holding company with three subsidiaries: TeraSpan Networks Inc. ("TeraSpan"), a Canadian corporation, FatPort Corporation ("FatPort"), a Canadian corporation, and 767230 Alberta Ltd. ("767230"), an Alberta corporation; IPN owns approximately 68.5% of the outstanding shares of TeraSpan; FatPort is a wholly-owned subsidiary, as is 767230, which is inactive;

10. TeraSpan has generated no earnings or positive cash flow since it commenced operations, and revenues of $376,390 and $405,358 in each of its financial years ended September 2003 and September 2002 respectively; TeraSpan's revenue accounted for 72% of IPN's total revenues for the year ended September 30, 2003;

11. FatPort has generated no earnings or positive cash flow since it commenced operations, and revenues of $175,566 and $42,564 in each of its financial years ended September 2003 and September 2002 respectively; FatPort revenues accounted for 28% of the Corporation's total revenues for the year ended September 30, 2003;

12. IPN's principal assets consist of its shares in FatPort and TeraSpan and cash and cash

equivalents of $6,945,272, net of minority interests as at September 30, 2003;

13. as at December 31, 2003, IPN's net asset value (exclusive of any value attributable to the shares of FatPort and TeraSpan) was $6,551,348 or approximately $0.88 per share; IPN's revenue and net loss during the three months ended December 31, 2003 was $307,500 and $347,363, respectively;

14. in an effort to provide its shareholders with greater liquidity and reduce the discount to net asset value at which its shares trade, IPN intends to make an issuer bid (the "Bid") for up to 1.5 million of its common shares, representing approximately 20% of the presently outstanding common shares, at a price per share based on the market price on the Exchange at the time the Bid is announced;

15. IPN does not currently have a control person and it does not expect that one will be created as a result of the Bid;

16. IPN's largest shareholders are: Darren Dohfer, a director of Teraspan, who holds 7.3% of IPN's outstanding common shares; Michael Cytrynbaum, a director of IPN, who holds 2.7% of IPN's outstanding common shares; and Peter van der Gracht, a director and the President of IPN, who holds 2.8% of IPN's outstanding common shares;

17. if the Bid is successful, the percentage ownership of Messrs. Dohfer, Cytrynbaum and van der Gracht will be increased to approximately 9.2%, 3.4% and 3.5%, respectively;

18. IPN intends to cancel the common shares that are tendered to the Bid;

19. the insiders of IPN, including Messrs. Dohfer, Cytrynbaum and van der Gracht, have advised IPN that neither they nor their associates or affiliates intend to tender any common shares to the Bid;

20. to the best of IPN's knowledge, as at March 24, 2004, the insiders of IPN and their associates and affiliates beneficially own approximately 18% of IPN's outstanding common shares;

21. if the Bid is successful, the beneficial ownership of the insiders of IPN and their associates and affiliates will increase by approximately 4.5%; and

22. IPN cannot rely on the normal course issuer bid exemption because it is proposing to purchase more than 5% of its outstanding shares within a 12 month period.

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

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

THE DECISION of the Decision Makers under the Legislation is that, in connection with the Bid, IPN is exempt from the Valuation Requirement, provided that IPN complies with the other provisions of the Legislation applicable to the Bid.

April 29, 2004.

"Adrienne Salvail-Lopez"

2.1.3 Calloway Real Estate Investment Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unitholders under a distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – first trade relief provided for additional units of trust, subject to certain conditions.

Statues Cited

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

Multilateral Instruments Cited

Multilateral Instrument 45-102 Resale of Securities 24 OSCB 7029.

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

AND

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

AND

**IN THE MATTER OF
CALLOWAY REAL ESTATE INVESTMENT TRUST**

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador (the "Jurisdictions") has received an application from Calloway Real Estate Investment Trust (the "Trust") for a decision under the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") shall not apply to the distribution and resale of trust units of the Trust pursuant to a distribution reinvestment plan (the "Plan");

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

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

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

   4.1 The Trust is an unincorporated closed-end real estate investment trust established under the laws of the Province of Alberta by a declaration of trust dated December 4, 2001, as amended and restated as of October 24, 2002 and as further amended and restated as of October 31, 2003.

   4.2 The beneficial interests in the Trust are divided into interests of one class, described and designated as "Trust Units". The Trust is authorized to issue an unlimited number of Trust Units of which 22,255,874 are presently issued and outstanding.

   4.3 The Trust became a reporting issuer or the equivalent in all Jurisdictions on October 24, 2002 on obtaining a receipt for its prospectus dated October 24, 2002. The last prospectus of the Trust was dated January 27, 2004 and filed in all of the Jurisdictions on January 27, 2004. The Trust is current on all filings required to be made under the Legislation.

   4.4 The Trust Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "CWT.UN".

   4.5 The Trust makes cash distributions of a proportionate share of its annual distributable cash flow ("Distributions") on a monthly basis paid on or about the 15th day of each month (the "Distribution Date") to unitholders of record ("Unitholders") on the last business day of the previous month (each a "Record Date").

   4.6 The Trust has adopted the Plan which, subject to obtaining all necessary regulatory approvals, will permit Unitholders, at their option, to reinvest Distributions by electing to purchase additional Units ("Plan Units") pursuant to the Plan and in accordance with a

distribution reinvestment plan services agreement entered into between the Trust and Computershare Trust Company of Canada in its capacity as agent under the Plan (in such capacity, the "Plan Agent"). Unitholders who do not elect to purchase Plan Units pursuant to the Plan will continue to receive cash distributions.

4.7 Participation in the Plan is restricted to Unitholders and beneficial owners of Trust Units who are residents of Canada.

4.8 A registered holder of Trust Units may elect to participate in the Plan by completing an authorization form and sending it to the Plan Agent. Beneficial owners of Trust Units may elect to participate in the Plan by notifying the Plan Agent via the applicable participant ("CDS Participant") in the Canadian Depository for Securities Limited ("CDS") depository service.

4.9 Distributions due to participants in the Plan ("Plan Participants") will be paid to the Plan Agent and applied to purchase Plan Units directly from the Trust.

4.10 The price of Plan Units purchased with Distributions will be 97% of the volume weighted average of the trading price for the Trust Units on the TSX for the ten (10) trading days immediately preceding the relevant Distribution Date.

4.11 The Unitholder equity of the Trust as at December 31, 2003 was approximately $106,000,000. The closing price of the Units on December 31, 2003 as traded on the TSX was $13.75. The Trust paid cumulative distributions of $1.0549 per Unit during the 2003 calendar year. As such it is anticipated that the amount of Distributions that may be reinvested in Plan Units will be small relative to the Unitholder equity in the Trust.

4.12 Plan Participants who beneficially own their Units through a CDS Participant may terminate their participation in the Plan by written notice to their CDS Participant, who will in turn notify CDS. CDS will notify the Plan Agent each month of the number of Trust Units participating in the Plan through CDS. Registered Unitholders may terminate their participation in the Plan by written notice to the Plan Agent.

4.13 No commissions or brokerage fees will be payable on the purchase of Plan Units and administrative costs will be borne by the Trust.

4.14 The Trust reserves the right to suspend or terminate the Plan at any time in its sole discretion, upon not less than 30 days' notice to (i) the Plan Participants who are registered Unitholders, (ii) CDS and (iii) the Plan Agent.

4.15 Subject to the approval of the TSX, the Trust may amend the Plan at any time and may, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

4.16 The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation for the reinvestment of dividends, interest or distributions of capital gains, earnings or surplus, as the Plan involves the reinvestment of Distributions of all distributable cash flow of the Trust which may not fall into any of these categories.

4.17 Additionally, the distribution of Plan Units by the Trust pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation for the reinvestment plans of mutual funds as the Trust is not a "mutual fund" within the definition in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets of the Trust.

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

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

7. THE DECISION of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements contained in the Legislation shall not apply to the trades of Plan Units to the Plan Agent for the account of Plan Participants pursuant to the Plan provided that:

7.1 at the time of the trade the Trust is a reporting issuer or the equivalent under

the Legislation and is not in default of any requirements of the Legislation;

7.2 no sales charge is payable in respect of the distributions of Plan Units from treasury;

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

7.3.1 their right to withdraw from the Plan and to make an election to receive cash instead of Plan Units on the making of a distribution by the Trust; and

7.3.2 instructions on how to exercise the right referred to in 7.3.1;

7.4 except in Québec, the first trade in Plan Units acquired pursuant to this Decision will be a distribution or primary distribution to the public under the Legislation unless the conditions of subsection 2.6(3) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and

7.5 in Québec, the first trade (alienation) in Plan Units acquired pursuant to this Decision will be a distribution unless:

7.5.1 at the time of the first trade, the Trust is a reporting issuer in Québec and is not in default of any of the requirements of securities legislation in Québec;

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

7.5.3 no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

7.5.4 if the seller of the Plan Units is an insider of the Trust, the seller has reasonable grounds to believe that the issuer is not in default of any of requirement of the Legislation of Québec.

April 2, 2004.

"Stephen P. Sibold" "James A. Millard"

2.1.4 MAAX Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – going private transaction – amalgamation is going private transaction because senior officer of acquired entity to enter into employment agreements with acquiror – none of the senior officers entering into employment agreements beneficially owned or exercised control or direction over more than 1% of the acquired entity's outstanding shares – independent committee of acquired entity approved transaction – acquired entity to be obtain approval of its independent shareholders – valuation exemption granted.

Ontario Rules

Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 4.4(1), 4.5(1) and 9.1.

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

AND

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

AND

**IN THE MATTER OF
MAAX INC.**

MRRS DECISION DOCUMENT

WHEREAS MAAX Inc. (the "**Applicant**") proposes to enter into a merger transaction as more fully described hereinafter;

AND WHEREAS the local securities regulatory authority or regulator (the "**Decision Makers**") in each of the Provinces of Ontario and Québec (the "**Jurisdictions**") has received an application from the Applicant for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") to grant an exemption from the formal valuation requirements (the "**Valuation Requirements**") applicable to a going private transaction under Section 4.3 of the Agence nationale d'encadrement du secteur financier *Policy Statement Q-27 – Protection of Minority Securityholders in the Course of Certain Transactions* ("**Policy Q-27**") and Section 4.4 of Ontario Securities Commission *Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* ("**Rule 61-501**");

AND WHEREAS under the Mutual Reliance System for Exemptive Relief Applications (the "**System**"), the Agence nationale d'encadrement du secteur financier is the principal regulator for this application;

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

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

1. On March 11, 2004, the Applicant announced that it has entered into a merger agreement (the "**Merger Agreement**") with 3087052 Nova Scotia Company ("**3087052**"), 3087053 Nova Scotia Company ("**3087053**"), 9139-4460 Québec Inc. ("**Subco**") and 9139-7158 Québec Inc. ("**Subco II**").

2. 3087052, 3087053, Subco and Subco II have been formed by J.W. Childs Associates, L.P., Borealis Private Equity Limited Partnership, Borealis (QLP) Private Equity Limited Partnership and Ontario Municipal Employees Retirement Board (collectively, the "**Sponsor Group**").

3. Under the Merger Agreement, the Applicant has agreed, subject to certain terms and conditions, to amalgamate (the "**Amalgamation**") with Subco and Subco II pursuant to the provisions of the *Companies Act* (Québec).

4. The Applicant is incorporated under the laws of the Province of Québec and is a reporting issuer under the *Securities Act* (Québec) (the "**Act**") and in all of the other provinces of Canada.

5. The authorized capital of the Applicant consists of an unlimited number of common shares (the "**Common Shares**") and an unlimited number of Class A and Class B preferred shares, of which 24,399,459 Common Shares were issued and outstanding as of March 19, 2004. The Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**"). The Applicant is not in default of any requirement under the Act and is not named on the list of defaulting reporting issuers.

6. The Applicant is involved mainly in the design, development and manufacture of bathroom products and spas and also specializes in the manufacture of kitchen cabinets and bathroom vanities.

7. The Applicant targets both North American and European markets, and the products it manufactures in Canada, the United States and Europe target mainly the home improvement and construction markets. The Applicant operates 10 plants in Canada, 13 plants in the United States and one plant in Europe. It also has a network of 12 distribution centres, with three being located in Canada and nine in the United States. The Applicant currently employs some 3,800 people including 1,950 in Canada, 1,800 in the United States and 50 in Europe.

8. On September 9, 2003, the Board of Directors of the Applicant announced its intention to solicit and consider offers to purchase all of the issued and outstanding Common Shares. The Board adopted this course of action following the announcement by Placide Poulin, Chairman and founder of the Applicant, of his decision to sell the Common Shares he directly and indirectly holds, which represent approximately 12% of the issued and outstanding Common Shares.

9. In connection with the solicitation and consideration of offers, the Board of Directors created an independent committee of its Board of Directors (the "**Independent Committee**") to initiate the process and solicit offers for all of the Common Shares. Under its mandate, the Independent Committee was authorized by the Board to carry out a sale process on behalf of the Applicant, to consider any offers for all the issued and outstanding Common Shares, to negotiate and recommend to the Board any acceptable transaction for all the issued and outstanding Common Shares. In connection with this mandate, the Independent Committee was authorized to retain its own financial and legal advisors. All the members of the Independent Committee are unrelated and independent directors of the Applicant. The Independent Committee is chaired by Raymond Garneau, Chairman of the Board of Industrielle-Alliance, and its other members are the following directors of the Applicant:

   - Marcel Dutil, President and Chief Executive Officer of The Canam Manac Group Inc.;

   - Paul Gobeil, Vice-Chairman of the Board of Métro Inc.;

   - Rémi Marcoux, Chairman of the Board and Chief Executive Officer of Transcontinental Group G.T.C. Ltd.;

   - Dennis Wood, Chairman of the Board of DWH Inc.

10. On September 24, 2003, the Applicant announced that the Independent Committee had engaged Merrill Lynch, Pierce, Fenner & Smith Incorporated as financial advisor and Borden Ladner Gervais LLP as legal advisor to assist the Independent Committee in managing the public sale process with the objective of maximizing shareholder value.

11. As part of the public sale process, a total of 75 potential interested purchasers were contacted by Merrill Lynch, Pierce, Fenner & Smith

Incorporated on behalf of the Independent Committee, 16 of which were potential "strategic" buyers whose operations are largely similar or related to those of the Applicant, and 59 of which were potential "financial" buyers whose primary business is the use of private equity. Confidentiality agreements were negotiated on behalf of the Independent Committee with more than half of these potential interested purchasers. For those parties that signed a confidentiality agreement, a confidential descriptive memorandum relating to the Applicant and a bid procedure letter were delivered to them and the parties were requested to provide a non-binding expression of interest to the Independent Committee on October 31, 2003 indicating the consideration they would be prepared to pay for all of the issued and outstanding Common Shares and on what other terms and conditions they would be interested in acquiring the Applicant. Based on these expressions of the interest, the Independent Committee selected certain parties which were then allowed access to a data room (containing various due diligence materials relating to the Applicant), permitted to meet with the Applicant's senior management and able to conduct visits to selected facilities of the Applicant. Subsequent to these events, these selected parties were requested to provide binding letters of intent to the Independent Committee by December 19, 2003.

12. Following its review and consideration of the letters of intent received, the Independent Committee agreed in mid-January 2004 to enter into a period of exclusive negotiations with the Sponsor Group. The negotiations between the Independent Committee and the Sponsor Group that took place during this period of exclusivity led to the Amalgamation proposal to acquire all of the outstanding shares of the Applicant at a price of $22.50 per share payable in cash. More specifically, the Applicant will amalgamate with Subco and Subco II under the *Companies Act* (Québec), with the Applicant's shareholders receiving pursuant to the Amalgamation one redeemable preferred share for each common share of the Applicant held. The redeemable preferred shares will be redeemed immediately after the Amalgamation at a price of $22.50 per share in cash. The consideration of $22.50 represents a premium of 22% over the closing price of $18.51 per share of the Applicant on the day prior to the public announcement of the sale process, and a 29% premium over the 20-day volume weighted average price prior to the public announcement of the sale process.

13. Merrill Lynch, Pierce, Fenner & Smith Incorporated and National Bank Financial Inc. have each provided to the Independent Committee an opinion for use by the Board of Directors of the Applicant that the consideration of $22.50 per Common Share is fair to the Applicant's shareholders from a financial point of view. The Board of Directors, upon the unanimous recommendation of the Independent Committee, has unanimously determined that the Amalgamation is fair to the shareholders of the Applicant and is in the best interest of the Applicant. The Board of Directors has agreed to recommend that the Applicant's shareholders vote in favour of the Amalgamation.

14. Under the Merger Agreement, the Independent Committee has negotiated for the benefit of the Board of Directors a "fiduciary out" for a superior proposal which 3087052 and 3087053 choose not to match.

15. Persons who can be considered as "related parties" for purposes of Policy Q-27 and Rule 61-501, other than the members of the Independent Committee, have not been involved in the negotiations with the Sponsor Group with respect to the Merger Agreement and the Amalgamation.

16. The Sponsor Group has entered into support and voting agreements (the "**Support and Voting Agreements**") with (i) Placide Poulin and Gestion Camada Inc. (a holding company controlled by Placide Poulin) who are the largest shareholders of the Applicant with collectively approximately 12% of the outstanding Common Shares, (ii) Marie-France Poulin, (iii) David Poulin, (iv) Richard Garneau and Gestion Sori Inc. (a holding company wholly-owned by Richard Garneau), and (v) André Héroux, pursuant to which such shareholders have agreed to irrevocably support and vote all of their Common Shares (their shares represent approximately 14.5% of the outstanding Common Shares) in favour of the Amalgamation. Such shareholders have not been involved in the negotiations with the Sponsor Group.

17. Shortly following the announcement in September, 2003 by the Board of Directors of the Applicant of the sale auction process, the Applicant offered a retention package (the "**Package**") to each of the following senior employees (collectively, the "**Senior Employees**"):

- Terry Rake
- Guy Bérard
- Dan Stewart
- Patrice Hénaire
- Gert-Jan Kloppers
- Benoît Boutet

- Michel Tremblay
- Richard Albright
- Larry Winters
- Jean Rochette

Under the terms of the Package, each Senior Employee will be entitled to receive a lump-sum payment representing a portion of his base salary as an incentive to remain in the employment of the Applicant during the sale process, the aggregate value of all lump-sum payments being $335,000. In addition, each Package provides that in the event of a change of control of the Applicant, resulting in the termination of the Senior Employee's employment, he shall be entitled to receive a cash amount equal to one year of his total remuneration (base salary and annual bonus).

18. Furthermore, the Merger Agreement provides that the Amalgamation is subject to the execution, on or before the effective date of the Amalgamation, of a new employment agreement and a share ownership agreement between the Applicant and André Héroux, President and Chief Executive Officer of the Applicant, in accordance with the term sheets executed concurrently with the Merger Agreement.

19. At the time the execution of the Merger Agreement was publicly announced, none of the Senior Employees and André Héroux beneficially owned or exercised control or direction over more than 1% of the outstanding Common Shares.

20. A proxy circular will be mailed to the Applicant's shareholders in connection with the special shareholders' meeting to be held on or about May 7, 2004 to approve the Amalgamation. At the meeting, the by-law relating to the Amalgamation will be required to be approved by at least two-thirds of the votes cast by holders of Common Shares and to be approved by a majority of the votes cast by holders of Common Shares determined in accordance with Section 8.1(3) of Policy Q-27 and Section 8.1(3) of Rule 61-501.

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

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

THE DECISION of the Decision Makers in the Jurisdictions under the Legislation is that, in connection with the Amalgamation, an exemption from the Valuation Requirements be granted to the Applicant pursuant to Section 9.1 of Policy Q-27 and Section 9.1 of Rule 61-501.

March 31, 2004.

"Josée Deslauriers"

2.1.5 National Bank Securities Inc. et al. - MRRS Decision

Headnote

Exemptions from the mutual fund self-dealing prohibitions of clauses 111(2)(a), 111(3) and 118(2)(a) of the Securities Act (Ontario). Mutual funds allowed to make purchases and sales of securities of National Bank of Canada, parent company to the managers of the mutual funds, and to retain those securities provided that a fund governance mechanism is used to oversee the holdings, purchases or sales of these securities for the mutual funds and to ensure that such holdings, purchases or sales have been made free from any influence by National Bank of Canada and without taking into account any consideration relevant to National Bank of Canada.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990, c. S.5 as am., 111(2)(a), 111(3) and 118(2)(a).

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

AND

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

AND

**IN THE MATTER OF
NATIONAL BANK SECURITIES INC. ("NBSI")
ALTAMIRA INVESTMENT SERVICES INC. ("AISI")
NATCAN INVESTMENT MANAGEMENT INC.
("NATCAN") AND
THE FUNDS LISTED IN SCHEDULE A ("FUNDS")**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the province of Quebec, British Columbia, Alberta, Saskatchewan, Ontario, Newfoundland and Labrador and Nova Scotia (the "Jurisdictions") has received an application (the "Application") from National Bank Securities Inc. ("NBSI"), Altamira Investment Services Inc. ("AISI") and Natcan Investment Management Inc. ("Natcan") in their own capacity and on behalf of the mutual funds they manage and listed in Schedule A (the "Current Funds") as well as such other funds as NBSI, AISI and Natcan may establish or advise from time to time (the "Future Funds") (the Current Funds and Future Funds being hereinafter referred to individually as a "Fund" and collectively as the "Funds") for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following prohibitions under the Legislation do not apply so as to prevent the funds from investing in, or continuing to hold investment in, common shares of National Bank of Canada ("NBC") :

a) the provision prohibiting the portfolio manager to make any transactions on behalf of a customer where his own interest might distort his judgment; and

b) the provision prohibiting the portfolio manager to subscribe or buy, on behalf of a client, securities he or an affiliate owns or securities issued by a company having as senior executive, a senior executive or a representative of the dealer or the adviser unless he obtains the consent of the client after having informed him of the fact (the provisions a) and b) being, collectively, the "Investment Restrictions").

For the Non-Principal Jurisdictions, please find hereinafter the corresponding provisions in the Legislation :

a) The provision prohibiting a mutual fund from knowingly making or holding an investment in any person or company which is a substantial securityholder of the mutual fund, its management company or distribution company (the "Substantial Securityholder Restriction"); and

b) The provision prohibiting a portfolio manager (or in the case of the *Securities Act* (British Columbia), the mutual fund or responsible person) from knowingly causing any portfolio managed by it to invest in any issuer in which a responsible person or an associate of a responsible person is an officer or director unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (the Substantial Securityholder Restriction and the provisions of (b), collectively, the "Investment Restrictions").

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Agence nationale d'encadrement du secteur financier (the "AMF") has been selected as the principal regulator in respect of this application;

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

AND WHEREAS it has been represented by NBSI, AISI and Natcan to the Decision Makers that :

1. Each of the National Bank Mutual Funds and Altamira Funds (hereinafter referred to as the "Public Funds") listed on Schedule A is or will be a mutual fund within the meaning of the Legislation that is a reporting issuer subject to National Instrument 81-102 and that is not in default under the Legislation.

2. Each of the Public Funds is an open-ended mutual fund trust established, or mutual fund corporation, incorporated, respectively under the laws of the Province of Ontario and federal law.

3. Each of the Funds listed on Schedule A as Natcan Pooled Funds is an open-ended mutual fund trust established under the laws of the Province of Quebec and is not a mutual fund in Ontario under the *Ontario Securities Act*.

4. Each of the Funds listed on Schedule A as Altamira Pooled Funds (with the Natcan Pooled Funds hereinafter referred to as the "Pooled Funds") is an open-ended mutual fund trust established under the laws of the Province of Ontario and is a mutual fund in Ontario under the *Ontario Securities Act*.

5. Other than the provinces of Quebec, British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia, securities of the National Bank Mutual Funds currently in existence are also offered in New Brunswick, Prince Edward Island and Manitoba.

6. Securities of the Altamira Funds are offered in all provinces and territories of Canada.

7. Securities of the Pooled Funds are offered in all provinces and territories of Canada. Since the Pooled Funds are not reporting issuers in all Jurisdictions, relief from certain of the Investment Restrictions is not required in all Jurisdictions.

8. NBSI, AISI or Natcan act, or will in the future act, as manager of the Funds for purposes of the Legislation.

9. Each of NBSI, AISI and Natcan is a direct or indirect subsidiary of National Bank of Canada ("NBC") and, as a result, NBC is a substantial securityholder of each of NBSI, AISI and Natcan.

10. If NBC owned more than 20% of the voting securities of a Fund arising from hedging its position under RSP clone fund arrangements, thus becoming a substantial securityholder, the Fund would be prohibited by the Substantial Securityholder Restriction from investing in common shares of NBC.

11. NBC is a bank listed in Schedule 1 to the *Bank Act* (Canada). The common shares of NBC are listed on the Toronto Stock Exchange.

12. Certain senior executive of NBC are or may also be senior executive or a representative of NBSI, AISI and Natcan.

13. Certain directors and/or officers of NBSI, AISI and Natcan who are responsible person in respect of the Funds are or may also be directors and/or officers of NBC.

14. NBSI, AISI and Natcan are prohibited by the Investment Restrictions from causing the investment portfolios of the Funds to invest in common shares of NBC because :

    (a) NBC is a substantial securityholder of the management company and/or distribution company of the Public Funds; and

    (b) NBC may be a substantial securityholder of certain Funds (under RSP clone funds arrangements); and

    (c) Certain directors and/or officers of NBSI, AISI and Natcan are or may be directors and/or officers of NBC (for the Public Funds and the Pool Funds).

15. NBSI, AISI and Natcan have agreed that, before a Fund for which it acts as manager makes an investment in common shares of NBC, it will appoint an independent committee (the "Independent Committee") to review the Funds'purchases, sales and continued holding of common shares of NBC to ensure that they have been made free from any influence by NBC and without taking into account any consideration relevant to NBC or any associate or affiliate of NBC.

16. In reviewing the Funds' purchases, sales and continued holdings of common shares of NBC, such Independent Committee will take into consideration the best interest of securityholders of the Funds and no other factors.

17. The compensation to be paid to members of the Independent Committee will be paid on a per meeting plus expenses basis and will be allocated among the appropriate Funds in a manner that is considered by such Independent Committee to be fair and reasonable to the Funds.

18. Within thirty days of the end of each month in which Natcan, acting as portfolio manager for the Funds, purchases or sells common shares of NBC on behalf of one or more Funds, the portfolio manager shall file the report on SEDAR contemplated by paragraph (l) below disclosing the name of each Funds that purchased or sold common shares of NBC during the month, the date of each purchase, the number or amount of NBC common shares purchased or sold by each Fund and the volume weighted average price paid

or received for the NBC common shares by each Fund. Such report should be filed for each Fund and the report should show the trades of all Funds.

19. None of the Funds shall make an investment in the common shares of NBC during, or for 60 days after, the period any underwriter distributes these common shares.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that :

1. Each of NBSI, AISI and Natcan and the Funds are exempt from the Investment Restrictions so as to enable the Funds to invest, or continue to hold an investment in, common shares of NBC; and

2. This Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;

provided that :

(a) Before a Fund for which it acts as manager makes an investment in common shares of NBC, NBSI, AISI and Natcan, as appropriate, has appointed an Independent Committee to review the Funds' purchases, sales and continued holdings of common shares of NBC;

(b) The Independent Committee will have at least three members and every member must be independent. A member of the Independent Committee is not independent if the member has a direct or indirect material relationship with the manager of the Fund, the Fund, or an entity related to the manager of the Fund. A material relationship is any relationship that a reasonable person would consider might interfere with the exercise of the member's independent judgement regarding conflicts of interest facing the manager;

(c) Such Independent Committee will have a written mandate describing its duties and standard of care which, at a minimum, sets out the conditions in this Decision. The Committee acting collectively or by each member individually will represent that they are qualified to fulfill appropriately their role under this Decision;

(d) The members of such Independent Committee will act honestly and in good faith in the best interests of the Funds and the securityholders of the Funds and in connection with that duty will exercise degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(e) The members of the Independent Committee may be indemnified by the Funds, except in cases of wilful misconduct, bad faith, or breach of its standard of care, as set in paragraph (d) above.;

(f) The members of the Independent Committee may be indemnified by the Funds for legal fees, judgments and amounts paid in settlement except in cases of wilful misconduct, bad faith, or breach of its standard of care, as set in paragraph (d) above;

(g) None of the Funds incurs the costs of any portion of liability insurance that insures a member of an Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);

(h) The cost of any indemnification or insurance coverage paid for by NBSI, AISI and Natcan, any portfolio manager of the Funds, or any associate or affiliate of NBSI, AISI and Natcan or portfolio manager of the Funds to indemnify or insure the members of an Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (d) is not paid either directly or indirectly by the Funds;

(i) Such Independent Committee considers whether to pre-authorize the Funds' planned transactions and programs of trading related to common shares of NBC. The Independent Committee also reviews past purchases, sales and continued holdings of common shares of NBC regularly, but not less frequently than quarterly or such shorter period as the Independent Committee may require;

(j) Such Independent Committee forms the opinion after reasonable inquiry including, where useful or necessary,

reliance on other professionals' opinion, that the transactions made or planned to be made on behalf of each Fund by the Funds manager or portfolio manager to purchase, sell or continue to hold common shares of NBC were, and continue to be, in the best interests of the Fund and:

(i) represent the business judgement of the Fund's manager or portfolio manager, uninfluenced by considerations other than the best interests of the Fund; and

(ii) have been made free from any influence by NBC and without taking into account any consideration relevant to NBC or any associate or affiliate of NBC;

(iii) that it did not find any indication that transactions on NBC shares were part of operations attempting to maintain or move the market price of the stock or were related to another form of misconduct; and

(iv) do not exceed the limitations of the applicable legislation;

(k) The determination made by an Independent Committee pursuant to paragraph (j) above is included in detailed written minutes provided to the Fund's manager not less frequently than quarterly;

(l) In respect of the relevant Fund, within 30 days of the end of each month in which Natcan purchases or sells common shares of NBC on behalf of one or more Funds, the portfolio manager will file on SEDAR reports disclosing (i) the name of each Funds that purchased or sold common shares of NBC during the month, (ii) the date of each purchase, (iii) the number or amount of NBC common shares purchased or sold by each Fund and (iv) the volume weighted average price paid or received for the NBC common shares by each Fund, and (v) whether the trades were approved by the Independent Committee and, where such approval had been withheld, why the trades were completed in spite of such disapproval. Such report should be filed for each Fund and the report should show the trades of all Funds;

Such report should also contain a certification from the portfolio manager that (i) the trades represented the business judgement of the dealer manager uninfluenced by considerations other than the best interest of the Funds and were in fact, in the best interests of the Funds; (ii) the trades were made free from any influence by NBC or any affiliate or associate thereof and without taking any consideration relevant to NBC or any associate or affiliate thereof; (iii) the trades were not part of a series of transactions aiming to support or otherwise influence the price of the shares of NBC or related to another form of misconduct;

(m) The Independent Committee shall advise the Decision Makers in writing of :

(i) any determination by it that condition (j) has not been satisfied with respect to any purchase, sale or holding of common shares of NBC;

(ii) any determination by it that any other condition of this Decision has not been satisfied;

(iii) any action it has taken or purposes to take following the determinations referred to above;

(iv) any action taken, or proposed to be taken, by the manager of a Fund in response to the determinations referred above; and

(v) its determination, on an annual basis, that all purchases, sales or holdings of common shares of NBC, other than those situations previously reported to the Decision Makers further to determinations referred to above, have satisfied condition (j).

(n) The manager must disclose in a Fund's simplified prospectus, if applicable, and in a Fund's periodic continuous disclosure reports any report of the Independent Committee that it directs the manager to incorporate into the simplified prospectus or periodic continuous disclosure reports of the Fund; and

(o) the existence, purpose, duties and obligations of the Independent

Committee, the names of its members, whether and how they are compensated by the Funds, the relationship between parties related to the Fund and NBC (including percentage of ownership) and the fact that the Independent Committee meets the requirements of the condition set out in paragraph (b) are disclosed with respect to the Pooled Funds, in a statement sent to clients and on the internet website maintained in respect of the Pooled Funds, and in respect of the Public Funds:

(i) in a press release issued, and a material change report filed prior to reliance on the Decision;

(ii) in item 12 of Part A of the simplified prospectus of the Public Funds; and

(iii) on the internet website maintained in respect of the Public Funds.

May 4, 2004.

“Nancy Chamberland”

SCHEDULE A

FUNDS

Public Funds

National Bank Securities Inc. (National Bank Mutual Funds Securities of the Investor Series)

Money Market Funds
National Bank Money Market Fund (1)
National Bank Treasury Bill Plus Fund
National Bank U.S. Money Market Fund
Institutional Funds
National Bank Corporate Cash Management Fund
National Bank Treasury Management Fund
Income Funds
National Bank Mortgage Fund (1)
National Bank Bond Fund (1-3)
National Bank Dividend Fund (1)
National Bank Global RSP Bond Fund (1)
National Bank High Yield Bond Fund (1-3)
National Bank Monthly Income Fund (1)
Diversified Funds
National Bank Retirement Balanced Fund (3)
National Bank Secure Diversified Fund
National Bank Conservative Diversified Fund
National Bank Moderate Diversified Fund
National Bank Balanced Diversified Fund
National Bank Growth Diversified Fund
Canadian Growth Funds
National Bank Canadian Equity Fund (1-3)
National Bank Canadian Opportunities Fund (1-2-3)
National Bank Canadian Index Fund
National Bank Canadian Index Plus Fund
National Bank Small Capitalization Fund (1)
International Growth Funds
National Bank Global Equity Fund (1)
National Bank Global Equity RSP Fund (1)
National Bank International RSP Index Fund
National Bank American RSP Index Fund
National Bank American Index Plus Fund
National Bank European Equity Fund (1)
National Bank European Small Capitalization Fund (1)
National Bank Asia-Pacific Fund (1)
National Bank Emerging Markets Fund (1)
Specialized Funds
National Bank Quebec Growth Fund (1)
National Bank Natural Resources Fund (1)
National Bank Future Economy Fund (1)
National Bank Future Economy RSP Fund (1)
National Bank Future Global Technologies Fund (1)
National Bank Future Global Technologies RSP Fund (1)
National Bank Strategic Yield Class (1-2-4*)
National Bank/Fidelity Funds
Bank/Fidelity Canadian Asset Allocation Fund
National Bank/Fidelity Global Asset Allocation Fund
National Bank/Fidelity True North Fund
National Bank/Fidelity International Portfolio Fund
National Bank/Fidelity Growth America Fund
National Bank/Fidelity Focus Financial Services Fund
Protected Funds
National Bank Protected Canadian Bond Fund

National Bank Protected Retirement Balanced Fund
National Bank Protected Growth Balanced Fund
National Bank Protected Canadian Equity Fund
National Bank Protected Global RSP Fund

(1) Securities of the *Advisor Series* also offered.
(2) Securities of the *Institutional Series* also offered.
(3) Securities of the *O Series* also offered.
(4) Securities of the *M Series* also offered.

* Offered by National Bank Funds Corporation

Altamira Investment Services Inc. (Altamira Funds)

Money Market Fund
Altamira T-Bill Fund
Income Funds
Altamira Income Fund
Altamira Bond Fund
Altamira High Yield Bond Fund
Altamira Short Term Canadian Income Fund
Altamira Short Term Government Bond Fund
Altamira Global Bond Fund
Altamira Short Term Global Income Fund
Growth and Income Funds
Altamira Balanced Fund
Altamira Dividend Fund Inc.
Altamira Growth & Income Fund
Altamira Global Diversified Fund
Altamira RSP Global Diversified Fund
Growth Funds
Altamira Canadian Value Fund
Altamira Equity Fund
Altafund Investment Corp.
Altamira Capital Growth Fund Ltd
Altamira Special Growth Fund
Altamira European Equity Fund
Altamira Global Value Fund
Altamira US Larger Company Fund
Altamira Asia Pacific Fund
Altamira Japanese Opportunity Fund
Altamira RSP Japanese Opportunity Fund
Altamira Global Discovery Fund
Altamira Global 20 Fund
Altamira Global Small Company Fund
Altamira Select American Fund
Altamira Precision Canadian Index Fund
Altamira Precision DOW 30 Index Fund
Altamira Precision European Index Fund
Altamira Precision European RSP Index Fund
Altamira Precision International RSP Index Fund
Altamira Precision U.S. RSP Index Fund
Altamira Precision U.S. Midcap Index Fund
Altamira Biotechnology Fund
Altamira RSP Biotechnology Fund
Altamira *e-business* Fund
Altamira RSP *e-business* Fund
Altamira Global Financial Services Fund
Altamira Global Telecommunications Fund
Altamira Health Sciences Fund
Altamira RSP Health Sciences Fund
Altamira Precious and Strategic Metal Fund
Altamira Resource Fund
Altamira Science & Technology Fund
Altamira RSP Science & Technology Fund

Pooled Funds

Natcan Investment Management Inc. (Natcan Pooled Funds)

Caisse commune actions américaines Natcan / Natcan U.S. Equity Pooled Fund
Caisse commune actions canadiennes Natcan / Natcan Canadian Equity Pooled Fund
Caisse commune actions de croissance Natcan / Natcan Growth Equity Pooled Fund
Caisse commune marché monétaire canadien Natcan / Natcan Money Market Pooled Fund
Caisse commune obligations à haut rendement Natcan / Natcan High Yield Income Pooled Fund
Caisse commune obligations à haut rendement RER Natcan / Natcan High Yield Income Pooled RSP Fund
Caisse commune obligations canadiennes indicielle-plus Natcan / Natcan Canadian Index Bond Fund
Caisse commune obligations canadiennes Natcan / Natcan Canadian Bond Pooled Fund
Caisse commune obligations corporatives Natcan / Natcan Corporate Income Pooled Fund
Fonds Américain de valeurs fondamentales Natcan / Natcan U.S. Value Fund
Fonds Américain Harmonie Natcan / Natcan American Harmony Fund
Fonds Américain Natcan / Natcan U.S. Fund
Fonds Natcan États-Unis / Natcan U.S. Fund
Fonds Natcan Europac 20 / Natcan International Fund
Fonds Natcan Europe 15 / Natcan Europe Fund
Fonds Natcan Pacifique 5 / Natcan Pacific Fund
Fonds Natcan de Répartition d'actifs / Natcan Asset Allocation Fund

Natcan Investment Management Inc. (Altamira Pooled Funds)

Altamira Pooled Balanced Fund
Altamira Pooled Bond Fund
Altamira Pooled Canadian Equity Fund
Altamira Pooled EAFE Equity Fund
Altamira Pooled Money Market Fund
Altamira Pooled U.S. Equity Fund

2.1.6 Fairway Diversified Income and Growth Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – first trade in additional units deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 5522.

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

AND

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

AND

IN THE MATTER OF
FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the "**Jurisdictions**") has received an application from Fairway Diversified Income and Growth Trust (the "**Trust**") for a decision, pursuant to the securities legislation of the Jurisdictions (the "**Legislation**"), that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "**Registration and Prospectus Requirements**") shall not apply to the distribution or resale of units of the Trust pursuant to a distribution reinvestment plan (the "**Plan**"), subject to certain conditions;

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

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

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

1. The Trust is closed-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of February 26, 2004.

2. The Trust is not considered to be a "mutual fund" as defined in the Legislation because the holders of units of the Trust ("**Unitholders**") are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Trust as contemplated in the definition of "mutual fund" in the Legislation.

3. The Trust became a reporting issuer or the equivalent thereof in the Jurisdictions on February 27, 2004 upon obtaining a receipt for its final prospectus dated February 26, 2004.

4. The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "FDT.UN".

5. Each unit of the Trust ("**Unit**") represents an equal, undivided interest in the net assets of the Trust and is redeemable at the net asset value of the Trust ("**Net Asset Value**") per Unit on the second last business day in March of each year.

6. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units with respect to any and all distributions made by the Trust.

7. The Trust intends to make monthly cash distributions to Unitholders. The distribution for the first twelve months following the closing of the offering of Units is expected to be $0.70 per Unit, representing an annual distribution of 7% based on a subscription price of $10.00 per Unit. Distributions will be payable to Unitholders of record on the last business day of each calendar month prior to the termination date of the Trust, or such other date determined by the Trustee from time to time (each, a "**Record Date**"). The Trust intends to pay distributions to Unitholders not more than 15 days after each Record Date (each, a "**Distribution Date**"). The first distribution will be payable to Unitholders of record on April 30, 2004. The Trust may also make other distributions at

any time in addition to monthly distributions, if it considers it appropriate, including to ensure that the Trust will not be liable for income tax under the *Income Tax Act* (Canada).

8. The Trust has adopted the Plan which, subject to obtaining all necessary regulatory approvals, will permit distributions to be automatically reinvested, at the election of a Unitholder, to purchase additional Units (“**Plan Units**”) pursuant to the Plan and in accordance with the provisions of a distribution reinvestment plan agency agreement entered into by Fairway Advisors Inc., as trustee of the Trust (in such capacity, the “**Trustee**”) and Computershare Investor Services Inc. (the “**Plan Agent**”).

9. Pursuant to the terms of the Plan, a Unitholder will be able to elect to become a participant in the Plan by notifying the Plan Agent, via the applicable participant (“**CDS Participant**”) in the Canadian Depository for Securities Limited (“**CDS**”) depository service through which such Unitholder holds Units, of its decision to participate in the Plan. Participation in the Plan will not be available to Unitholders who are not residents of Canada for the purposes of the *Income Tax Act* (Canada).

10. Distributions due to Unitholders who have elected to participate in the Plan (the “**Plan Participants**”) will be automatically reinvested on their behalf by the Plan Agent to purchase Plan Units directly from the Trust at a price equal to the weighted average trading price on the TSX for the five trading days immediately preceding the relevant Distribution Date.

11. The Plan Agent will purchase Plan Units only in accordance with mechanics described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on Net Asset Value per Unit.

12. The amount of distributions that may be reinvested in Plan Units issued from treasury will be small relative to a Unitholder’s equity in the Trust.

13. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can reduce potential dilution by electing to participate in the Plan.

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

15. A cash adjustment for any fractional Plan Unit to which a Plan Participant is entitled will be paid by the Plan Agent upon each distribution, provided that the Trust has first caused the amount of any such cash adjustment to be paid to the Plan Agent.

16. The Plan Agent’s fees for administering the Plan will be paid by the Trust out of the assets of the Trust.

17. A Plan Participant may terminate his or her participation in the Plan by causing to be provided, via the applicable CDS Participant, at least ten business days’ prior written notice to the Plan Agent and, such notice, if actually received no later than ten business days prior to the next Record Date, will have effect beginning with the distribution to be made with respect to such Record Date. Thereafter, distributions payable to such Unitholder will be in cash.

18. The Trustee may terminate or suspend the Plan in its sole discretion, upon not less than 30 days’ prior written notice to the Plan Participants via the applicable CDS Participant and the Plan Agent.

19. The Trustee may amend or modify the Plan at any time, provided that it gives notice of that amendment or modification to (i) CDS Participants through which the Plan Participants hold their Units and (ii) the Plan Agent. Any amendments to the Plan are subject to the approval of the Toronto Stock Exchange. The Trustee may adopt additional rules and regulations to facilitate the administration of the Plan subject to the approval of any applicable securities regulatory authority or stock exchange.

20. The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Trust is not considered to be a “mutual fund” as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Trust.

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

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

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

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

(b) no sales charge is payable in respect of the distributions of Plan Units from treasury;

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

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

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

(d) except in Québec, the first trade or resale of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 2 through 5 of Section 2.6(3) of Multilateral Instrument 45-102 – Resale of Securities are satisfied; and

(e) In Québec, the first trade (alienation) of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public unless:

  (i) at the time of the first trade, the Trust is a reporting issuer in Québec and is not in default on any of the requirements of securities legislation in Québec;

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

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

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

April 29, 2004.

“Paul M. Moore” “Robert W. Davis”

2.1.7 Rolls-Royce Group plc and Rolls-Royce plc - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – distribution of options and issuance of underlying shares of holding company to Québec employees of operating company and its subsidiaries, and the resale of underlying shares between Québec employees or outside Canada, exempt from registration and prospectus requirements in Québec – except in Québec, issuance of underlying shares of holding company to former eligible Canadian employees or to personal representatives of former eligible Canadian employees of operating company exempt from registration and prospectus requirements, provided that first trade in underlying shares deemed a distribution unless *de minimis* Canadian market and trade executed on an exchange outside of Canada – except in Québec, first trade in underlying shares of holding company acquired by former eligible Canadian employees or personal representatives of former eligible Canadian employees of operating company exempt from registration requirement provided *de minimis* Canadian market and trade executed on an exchange outside of Canada.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

**IN THE MATTER OF
ROLLS-ROYCE GROUP PLC
AND ROLLS-ROYCE PLC**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator, (the “Decision Maker”) in each of Quebec, Alberta, British Columbia, Nova Scotia, Ontario, Newfoundland and Labrador and Manitoba (the “Jurisdictions”) have received an application from Rolls-Royce Group plc (“HoldCo”) and Rolls-Royce plc (“OpCo”) (collectively, the “Filers”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirements contained in the Legislation to be registered to trade in a security (the “Registration Requirement”), and to file and obtain a receipt for a preliminary prospectus and a prospectus (the “Prospectus Requirement”) shall not apply to certain trades of securities of the Filers in connection with the Amended Plan (as defined below);

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

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

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

1. The Filers are incorporated in England and Wales and have their registered head offices in London, England.

2. Pursuant to a reorganization of OpCo effected in June 2003, by way of a court sanctioned arrangement under Section 425 of the Companies Act (United Kingdom) (the “Reorganization”), OpCo became a wholly-owned subsidiary of HoldCo. The Reorganization was carried out in order to more closely align the corporate structure of the OpCo group of companies with its operational divisions and management reporting lines by putting in place a new holding company.

3. Prior to the Reorganization, OpCo’s ordinary shares (the “OpCo Shares”) were listed and posted for trading on the London Stock Exchange.

4. Pursuant to the Reorganization, each OpCo Share was cancelled and new shares of OpCo were issued to HoldCo. In consideration of the cancellation of the OpCo Shares, holders thereof received for each share cancelled an ordinary share in HoldCo. The ordinary shares of HoldCo (the “Shares”) were listed on the London Stock Exchange in June 2003 and the OpCo Shares were delisted at approximately the same time.

5. HoldCo is subject to the reporting obligations of the London Stock Exchange. As of August 21, 2003, HoldCo had 1,666,088,898 fully paid Shares outstanding.

6. Neither the Shares nor any other securities of HoldCo are quoted or listed and posted for trading on any securities exchange or over-the-counter market in Canada.

7. The Filers are not, and have no intention of becoming, reporting issuers under applicable securities legislation of any of the Jurisdictions.

8. In 1999, OpCo adopted the Rolls-Royce International Sharesave Plan (the “Plan”) to enable qualifying employees of OpCo and its

subsidiaries (the "Eligible Employees") to participate from time to time in OpCo's growth and financial success by acquiring options to purchase OpCo Shares.

9. As a result of the Reorganization, the Plan was amended on May 29, 2003 (the "Amended Plan") pursuant to which, after June 23, 2003, OpCo will grant options (the "Options") to Eligible Employees to purchase Shares (the "Underlying Shares").

10. There are approximately 12,782 Eligible Employees in 29 countries world-wide who are able to participate in the Amended Plan, which is anticipated to commence on September 26, 2003.

11. As of July 11, 2003 approximately 1,638 Eligible Employees reside in Canada (the "Eligible Canadian Employees"), which represents approximately 13% of all Eligible Employees. As of July 11, 2003 approximately 1,518 Eligible Canadian Employees reside in the Province of Quebec (the "Quebec Employees"), which represents approximately 93% of Eligible Canadian Employees. The Province of residence of the other Eligible Canadian Employees is as follows:

British Columbia	72
Ontario	24
Alberta	10
Nova Scotia	9
Newfoundland	4
Manitoba	1

12. Pursuant to the terms of the Amended Plan, an Eligible Employee will be required to enter into a savings contract with Halifax plc, a financial institution, or OpCo, or its subsidiaries to fund the exercise price of the Option through monthly contributions.

13. Eligible Employees will be permitted to apply for a three year, five year or seven year Option. The monthly contributions in the case of a three year Option will be payable over a 36 month period and, in the case of a five year or seven year Option, the monthly contributions will be payable over a 60 month period.

14. The Options are only exercisable within 6 months from the date that the monthly contribution period has ended subject to early release upon the death of the holder whereby the personal representative (the "Personal Representative") will be permitted to exercise the Option. Options may also be exercised by former Eligible Canadian Employees (the "Former Eligible Canadian Employees") in accordance with the terms of the Amended Plan.

15. The Options are non-transferable other than in accordance with their terms.

16. The Underlying Shares issued upon exercise of the Options may be sold by Eligible Employees through the facilities of the London Stock Exchange.

17. Eligible Canadian Employees will not be induced to apply for Options under the Amended Plan by expectation of employment or continued employment.

18. Eligible Canadian Employees participating in the Amended Plan will be provided with substantially similar disclosure materials with respect to the Amended Plan that are provided to participants in the Amended Plan resident in England and Wales, revised, as necessary, to reflect how the Amended Plan operates in Canada.

19. Less than 10% of the shareholders of HoldCo are resident in Canada and less than 10% of the Shares are held by Canadian residents.

20. The Filers require the consent of the *Commission des valeurs mobilières du Québec* to rely on the exemptions from the Prospectus Requirement under the Legislation of Québec.

21. Holders of Underlying Shares acquired upon exercise of Options under the Amended Plan will not be able to rely on the exemptions from the Prospectus Requirement and Registration Requirement under the Legislation of Quebec with respect to the resale of such shares because they are not reporting issuers under the Legislation of Quebec.

22. HoldCo will not be able to rely on an exemption from the Prospectus Requirement or the Registration Requirement contained in the Legislation of all the Jurisdictions, other than Quebec, with respect to the issuance of Underlying Shares under the Amended Plan to Former Eligible Canadian Employees or Personal Representatives of Former Eligible Canadian Employees because such holders are no longer employees of the Filers or their affiliates and they do not hold previously-issued securities of HoldCo.

23. In all Jurisdictions except Quebec, Former Eligible Canadian Employees or Personal Representatives of Former Eligible Canadian Employees will not have an exemption from the Registration Requirement under the Legislation available to them with respect to the resale of the Underlying Shares because at the time of issuance of the Underlying Shares, neither will be an employee or a "permitted assign" (as defined in Multilateral Instrument 45-105) of an employee of the Filers or their affiliates.

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

AND WHEREAS each of the Decision Makers under the Legislation 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:

(a) (i) the distribution of Options and the issuance of Underlying Shares upon exercise of the Options in both cases to Quebec Employees pursuant to the Amended Plan; and

(ii) the resale of the Underlying Shares acquired by Quebec Employees upon exercise of Options granted pursuant to (a)(i) between Quebec Employees or their associates, or outside Canada;

be exempt from the applicable Registration Requirement and Prospectus Requirement under the securities legislation of Quebec;

(b) except in Quebec, the issuance of Underlying Shares by HoldCo under the Amended Plan to Former Eligible Canadian Employees or to Personal Representatives of Former Eligible Canadian Employees be exempt from the applicable Registration Requirement and Prospectus Requirement under the Legislation in all Jurisdictions, provided that the first trade in any Underlying Shares so acquired shall be deemed a distribution or a primary distribution to the public, unless:

(i) at the time of the granting of the corresponding Option, the Filers are not reporting issuers under the Legislation of any Jurisdiction;

(ii) at the time of the granting of the corresponding Option, holders of Underlying Shares who are residents of Canada did not own, directly or indirectly, more than 10% of the outstanding Underlying Shares and did not represent in number more than 10% of the total number of holders, directly or indirectly, of Underlying Shares; and

(iii) such first trade is made through an exchange, or a market, outside of Canada or to a person or company outside of Canada;

(c) except in Quebec, the Registration Requirement of the Legislation in all Jurisdictions shall not apply to the first trade in Underlying Shares acquired under the Amended Plan by Former Eligible Canadian Employees and Personal Representatives of Former Eligible Canadian Employees, if:

(i) at the time of the granting of the corresponding Option, the Filers are not reporting issuers under the Legislation of any Jurisdiction;

(ii) at the time of the granting of the corresponding Option, holders of Underlying Shares who are residents of Canada did not own, directly or indirectly, more than 10% of the outstanding Underlying Shares and did not represent in number more than 10% of the total number of holders, directly or indirectly, of Underlying Shares; and

(iii) such first trade is made through an exchange, or a market, outside of Canada or to a person or company outside of Canada.

September 26, 2003.

"Marie-Christine Barrette"

2.1.8 Telefónica, S.A. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – distribution by a foreign issuer of shares of another foreign company as a distribution in kind to its security holders exempt from sections 25 and 53 – first trade of shares is a distribution unless such first trade is conducted through stock exchange outside of Canada.

Statutes Cited

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

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

AND

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

AND

**IN THE MATTER OF
TELEFÓNICA, S.A.**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the Decision Maker) in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, Saskatchewan, Northwest Territories, Nunavut and Yukon Territory (the Jurisdictions) has received an application from Telefónica, S.A. (Telefónica) for a decision pursuant to the securities legislation of the Jurisdictions (the Legislation) that the prospectus and registration requirements contained in the Legislation shall not apply to the Spin-off (as defined in paragraph 16 below) and to Telefónica;

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

AND WHEREAS Telefónica has represented to the Decision Makers that:

1. Telefónica is a corporation (s*ociedad anónima*) organized under the laws of the Kingdom of Spain.

2. Telefónica is one of the world's leading companies in the telecommunications sector with an active presence in 16 countries and operations in nearly 50 countries.

3. Pursuant to a prospectus dated December 14 1997, Sociedad Estatal de Participaciones Patrimoniales, S.A., a corporation wholly owned by the Spanish government, completed a secondary public offering in Canada (Canadian Offering) of American Depositary Shares (each an ADS) each representing the right to receive three ordinary shares (each an Ordinary Share) of Telefónica.

4. As a result of the Canadian Offering, Telefónica is a "*reporting issuer*" or has equivalent status in each applicable Jurisdiction.

5. Telefónica is not in default of any of the reporting issuer requirements of the Legislation.

6. The Ordinary Shares of Telefónica are listed on each of the Madrid, Barcelona, Bilbao and Valencia stock exchanges (collectively, the Spanish Stock Exchanges). They are also listed on various foreign exchanges including London, Frankfurt, Paris, Buenos Aires, and Tokyo stock exchanges and are quoted through the Automated Quotation System of the Spanish Stock Exchanges and through the SEAQ International System of the London Stock Exchange.

7. The ADSs of Telefónica are currently listed on the New York Stock Exchange (NYSE) and on the Lima Stock Exchange.

8. In addition to the Ordinary Shares and the ADSs, Telefónica has issued Brazilian Depositary Shares (each a BDS) each representing the right to receive one Ordinary Share, which are listed on the São Paulo Stock Exchange. (Ordinary Shares, ADSs and BDSs are collectively referred to herein as Telefónica Shares, and holders of Telefónica Shares are referred to herein as Telefónica Shareholders)

9. As of October 15, 2003, Telefónica issued and outstanding capital consisted of 4,955,891,361 Ordinary Shares.

10. As of December 31, 2002, there were 111,084,331 ADSs and 6,923,769 BDSs outstanding.

11. As permitted by Spanish law, Telefónica has issued bearer securities and does not maintain a share register. Telefónica is unable to accurately determine the number of Canadian resident Telefónica Shareholders holding Ordinary Shares (Canadian Ordinary Shareholders) or in what Jurisdiction such Canadian Ordinary Shareholders reside.

12. As of October 8, 2003 there are currently approximately 9,507 Canadian resident Telefónica Shareholders holding ADSs (Canadian ADS Holders; Canadian Ordinary Shareholders and Canadian ADS Holders are collectively referred to herein as Canadian Shareholders), of which there are 1,250 resident in Alberta, 1,131 resident in British Columbia, 124 resident in Manitoba, 50 resident in New Brunswick, 91 resident in Newfoundland, 163 resident in Nova Scotia, 5,757 resident in Ontario, 19 resident in Prince Edward Island, 759 resident in Québec, 143 resident in Saskatchewan, 10 resident in the Northwest Territories, 3 resident in the Yukon Territory, and 7 Canadian ADS Holders whose Jurisdiction of residence is unknown, the aggregate of which represents approximately 0.07357% of the total issued and outstanding Ordinary Shares.

13. Antena 3 is a corporation (*sociedad de nacionalidad española*) organized under the laws of the Kingdom of Spain.

14. As of October 15, 2003, Telefónica owned 34.14% of Antena 3.

15. Antena 3 is not a "*reporting issuer*" nor does it have equivalent status in any of the applicable Jurisdictions. Further, there is no current intention that Antena 3 will become a "*reporting issuer*" or obtain equivalent status in any of the applicable Jurisdictions other than in Québec by operation of law.

16. On April 11, 2003, at Telefónica's annual general shareholders' meeting (AGM), Telefónica Shareholders passed a resolution to ratify a proposed distribution in kind to Telefónica Shareholders through the allocation of Antena 3 Shares (the Spin-off).

17. The Spin-off is the direct result of Telefónica's requirement to divest itself of Antena 3 in order to comply with Spanish law, which restricts the ownership of television stations, such as Antena 3, by telecommunication providers, such as Telefónica.

18. Prior to the AGM, Telefónica sent information about the Spin-off to all of the Telefónica Shareholders in the form of a shareholder circular (Circular).

19. The information contained in the Circular conforms to the requirements of the NYSE and the United States *Securities Act of 1933,* as amended.

20. At the AGM, the Telefónica Shareholders approved the distribution of 50,000,400 Antena 3 Shares, representing 30% of the outstanding share capital of Antena 3 and valued at €420,003,360 on the books of Telefónica.

21. The Spanish National Securities Market Commission (*Comisión Nacional de Mercado de Valores*) (Spanish Commission) verified the admission of Antena 3 Shares for trading on the Spanish Stock Exchanges on October 17, 2003.

22. Antena 3 does not intend to list the Antena 3 Shares on the NYSE or on a Canadian stock exchange and, as a result, there will be no published market for the Antena 3 Shares in Canada.

23. The Share Distribution and the Spin-off will be effected in compliance with the Spanish Law of Corporations, the rules of the Spanish Commission and the Spanish Stock Exchanges and the regulations thereunder.

24. All materials related to the Spin-off and the Share Distribution of the Antena 3 Shares that are sent by or on behalf of Telefónica to Telefónica Shareholders in the United States will be sent concurrently to Canadian Shareholders and filed with the Decision Makers.

25. Immediately following the Spin-off, the holders of Ordinary Shares will be entitled to receive a pro rata distribution of Antena 3 Shares based on their holdings of Ordinary Shares, adjusted for any splits in the Antena 3 Shares or in the Telefónica Shares.

26. With respect to holders of ADSs, Citibank, N.A. (the Depository), as depository under the Deposit Agreement dated November 13, 1996 among Telefónica, the Depository, and the holders from time to time of ADSs will receive a distribution of the Antena 3 Shares pursuant to the Spin-off. Registered holders of ADSs at the time of distribution (Qualified ADS Holders) will receive a pro rata distribution of the Antena 3 Shares issued to the Depository. The Depository will sell the Antena 3 Shares on behalf of the Qualified ADS Holders as soon as practicable after receiving the Antena 3 Shares. Upon selling the Antena 3 Shares, the Depository will receive and distribute the cash proceeds of such sale, net of expenses of sale and currency conversion, in U.S. dollars to the respective Qualified ADS Holder.

27. Following the Spin-off, holders of Antena 3 Shares who are resident in Canada will receive concurrently from Antena 3 the same disclosure materials that are sent to holders of Antena 3 Shares who are resident in Spain pursuant to Spanish law.

28. The distribution of Antena 3 Shares pursuant to the Share Distribution constitutes a "distribution" within the meaning of the Legislation. Given that the Share Distribution is an initiative of Telefónica and that the Antena 3 Shares will be issued in connection with the Spin-off, Telefónica's

involvement may constitute acts in furtherance of a distribution of the Antena 3 Shares to Canadian Shareholders.

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

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

THE DECISION OF the Decision Makers pursuant the Legislation is that:

1. except in British Columbia, the prospectus and registration requirements of the Legislation shall not apply to the trades of the Antena 3 Shares pursuant to the Spin-off ; and

2. the first trade in the Antena 3 Shares acquired by Canadian Shareholders pursuant to this decision is a distribution or primary distribution to the public or is deemed a distribution under the Legislation, unless such trade is executed through the facilities of a stock exchange or market outside of Canada, in accordance with all rules and laws applicable to the stock exchange or market upon which the trade is made.

December 30, 2003.

"Theresa McLeod" "Suresh Thakrar"

2.1.9 Société Air France - MRRS Decision

Headnote

Mutual Reliance Review System for Applications – take-over bid to offeree security holders resident in Ontario – securities of offeree issuer held in bearer form, so that offeror unable to determine the number of Ontario holders or percentage of securities held by Ontario holders – number of Ontario holders and percentage of securities held believed to be *de minimis* – offer made in compliance with laws of the United States – bid exempted from requirements of Part XX, subject to certain conditions – offeror also requesting prospectus and registration relief in a number of jurisdictions – relief not required in Ontario due to availability of statutory exemptions – due to extreme urgency, prospectus and registration relief granted in Ontario to facilitate use of the Mutual Reliance Review System for Applications – staff of the view that relief was unnecessary and that the granting of such relief should not to be treated as a precedent for future applications for relief.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 25, 53, 74, 93(1)(e), 95-100 and 104(2)(c).

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

AND

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

AND

IN THE MATTER OF
SOCIÉTÉ AIR FRANCE

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, Newfoundland and Labrador, New Brunswick and Prince Edward Island (the "Jurisdictions") has received an application from Société Air France (the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the following requirements do not apply to trades made in connection with the proposed offer (the "Offer") by the Applicant for the outstanding common share ("Common Shares") of Koninklijke Luchtvaart Maatschappij N.V. (the "Target"): (i) the formal take-over bid requirements in the Legislation of Ontario, British

Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, and Newfoundland and Labrador, including the provisions relating to delivery of an offer and take-over bid circular and any notices of change or variation thereto, delivery of a directors' circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up of and payment for securities tendered to take-over bid, disclosure, financing, restriction upon purchases of securities, identical consideration and collateral benefits (collectively, the "Take-over Bid Requirements"), (ii) the dealer registration requirements in the Legislation of Quebec, New Brunswick and Prince Edward Island (the "Registration Requirements"), and (iii) the prospectus requirements in the Legislation of British Columbia, Quebec, New Brunswick and Prince Edward Island (the "Prospectus Requirements");

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

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

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

1. The Applicant is a société anonyme organized under the laws of France. The Applicant's shares are listed for trading on Euronext Paris.

2. The Applicant's registered office is located at 45, rue de Paris 95747 Roissy-CDG Cedex France.

3. The Applicant is not a reporting issuer or the equivalent in any of the Jurisdictions. The Applicant's securities are not listed or quoted for trading on any Canadian stock exchange or market.

4. The Target is a public company organized under the laws of The Netherlands. The Target's registered office is located at Amsterdamseweg 55, 1182 GP Amstelveen, The Netherlands.

5. The Target is not a reporting issuer or equivalent in any of the Jurisdictions. The Target's securities are not listed or quoted for trading on any Canadian stock exchange or market.

6. The Target's issued and outstanding share capital consists of 46,809,699 Common Shares, 1,312.5 priority shares, 8,812,500 cumulative preference shares A and 7,050,000 cumulative preference shares C. The Common Shares are issuable either in registered form, represented by certificates printed in the English language and registered in New York (the "New York Registry Shares") or in bearer form (the "Ordinary Shares").

7. The Target's Ordinary Shares are listed on Euronext Amsterdam and its New York Registry Shares listed on the New York Stock Exchange. Of the 46,809,699 Common Shares, 10,108,215, or approximately 21%, are New York Registry Shares and 36,701,484, or approximately 79%, are Ordinary Shares in the Dutch clearing system.

8. The Applicant currently holds none of the outstanding shares of the Target. The Applicant has entered into agreements to acquire all of the Target's outstanding priority shares and depositary receipts representing all of the Target's outstanding preference shares C, as well as, over time and subject to certain conditions, the Target's cumulative preference shares A.

9. On September 30, 2003, the Applicant announced its intention to launch the Offer whereby shareholders of the Target would be invited to tender their (i) Ordinary Shares in exchange for ordinary shares and warrants of the Applicant at a ratio of 11 ordinary shares and 10 warrants of the Applicant for every 10 Ordinary Shares tendered and (ii) New York Registry Shares in exchange for American Depositary Shares and American Depositary Warrants of the Applicant at a ratio of 11 American Depositary Shares and 10 American Depositary Warrants of the Applicant for every 10 New York Registry Shares tendered. Each American Depositary Share represents one ordinary share of the Applicant, and each American Depositary Warrant represents one warrant of the Applicant.

10. The Offer commenced on April 5, 2004, in compliance with the laws of the United States, in particular the U.S. *Securities Act of 1933* and the U.S. *Securities Exchange Act of 1934,* and the applicable rules promulgated thereunder, and the laws of The Netherlands, in particular the Dutch *Act on the Supervision of the Securities Trade 1995* and the Dutch *Decree on the Supervision of the Securities Trade 1995*.

11. On April 5, 2004, the Applicant filed with the U.S. Securities and Exchange Commission (the "SEC") a registration statement on Form F-4 containing a preliminary prospectus (the "U.S. Prospectus") and a statement on Schedule TO (the "Schedule TO") in connection with the Offer. In addition, the Target filed a solicitation/recommendation statement on Schedule 14D-9 (the "Schedule 14D-9") with the SEC on April 5, 2004. A copy of the U.S. Prospectus, the Schedule 14D-9 and certain auxiliary documentation was mailed to record holders of New York Registry Shares.

12. As of April 5, 2004, the Applicant made available to holders of the Ordinary Shares copies of a prospectus (the "European Prospectus"), identical in substance to the U.S. Prospectus, and an Offer and Listing Document (the "OLD"), both of which

were approved by Euronext Amsterdam and in respect of which the Dutch Authority for the Financial Markets had issued a statement of "no further comments". A public announcement in a national Dutch newspaper indicated where and how holders of Ordinary Shares may obtain a copy of the European Prospectus and the OLD free of charge.

13. As of March 24, 2004 there are four registered holders of New York Registry Shares with addresses in Ontario holding an aggregate of 325 shares and one registered holder of New York Registry Shares with an address in Quebec holding 375 shares.

14. As of April 27, 2004 there were 533 beneficial holders of New York Registry Shares with an address in Canada holding an aggregate of 380,715, representing approximately 0.8% of the issued and outstanding Common Shares, who hold shares through participant accounts of The Depository Trust Company.

15. As permitted by Dutch law, the Ordinary Shares are in bearer form, and the Target does not maintain a share register for these shares. Accordingly, any information about the Target's shareholdings in Canada can only be determined on a limited inquiry basis. ABN Amro Bank N.V. ("ABN"), as custodian in the Dutch clearing system for the Ordinary Shares, estimates that shareholders holding Ordinary Shares through its accounts in the Dutch clearing system represent approximately 30-40% of holders of the Ordinary Shares. Of such 30-40%, there are 11 Canadian holders holding an aggregate of 3,460 Ordinary Shares. The Applicant is unable to determine the Jurisdiction in which the Canadian holders of the Ordinary Shares reside.

16. The Applicant's belief, after due inquiry of the Target, is that, as of April 26, 2004, there are approximately 549 shareholders resident in Canada holding in the aggregate 384,875 Common Shares, together representing approximately 0.82% of the Common Shares outstanding.

17. A public announcement in a national Canadian newspaper will specify where and how shareholders may obtain a copy of the material relating to the Offer free of charge.

18. Because the Ordinary Shares are in bearer form and Target therefore does not maintain a share register for all of its Common Shares, the Applicant is unable to determine conclusively the number of holders of the Common Shares resident in each of the Jurisdictions, or the number of Common Shares held by any such person. As a result, the Applicant cannot be certain whether it may rely on the *de minimis* take-over bid exemptions found in certain of the Jurisdictions.

19. The *de minimis* take-over bid exemption is not available to the Applicant in certain of the Jurisdictions as it has more than 50 shareholders in such Jurisdictions.

20. All of the holders of the Common Shares to whom the Offer is made will be treated equally.

21. An exemption from the Registration Requirements is not available in Quebec, New Brunswick and Prince Edward Island for trades made in connection with the Offer.

22. An exemption for the Prospectus Requirements is not available in British Columbia, Quebec, New Brunswick and Prince Edward Island for trades made in connection with the Offer.

23. If the requested relief is not granted, holders of the Common Shares resident in the Jurisdictions will not have the opportunity to participate in the Offer.

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

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

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

A. in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia and Newfoundland and Labrador, the Applicant is exempt from the Take-over Bid Requirements in making the Offer to the shareholders of the Target who are resident in such Jurisdictions provided that:

(i) the Offer and all amendments to the Offer are made in compliance with the laws of The Netherlands and the United States of America; and

(ii) any material relating to the Offer that is sent to the holders of the Common Shares in the United States of America will be sent to the holders of the Common Shares resident in the Jurisdictions, and copies thereof filed with the Decision Maker in each Jurisdiction;

B. the Registration Requirements shall not apply to trades made in connection with the Offer; and

C. the Prospectus Requirements shall not apply to trades made in connection with the Offer provided that the first trade in shares and warrants issued by the Applicant in connection with the Offer shall be a distribution or primary distribution to the public unless, in all the Jurisdictions other than Quebec, the conditions of subsection (1) of section 2.14 of Multilateral Instrument 45-102 are satisfied, and, in Quebec, the alienation (first trade) of the shares and warrants issued by the Applicant in connection with the Offer are executed through the facilities of an exchange or market outside Canada.

May 3, 2004.

"Paul M. Moore" "Susan Wolburgh Jenah"

2.1.10 Investors Group Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Applications – take-over bids and issuer bids - wholly-owned subsidiary of offeror issuing shares as consideration to offeree shareholders who are employees and consultants within the meaning of Multilateral Instrument 45-105 – Trades to Employees, Senior Officer, Directors and Consultants – holders receiving shares as consideration to enter into shareholders' agreement with subsidiary – shareholders' agreement includes the right of each holder to cause subsidiary or its affiliates to purchase his or her shares and right of subsidiary or affiliate to purchase shares from holders – subsidiary has less than 50 shareholders, excluding holders who are employees and consultants – transfers of shares by holders to subsidiary and its affiliates exempt from take-over bid and issuer bid requirements.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as amended, clause 104(2)(c).

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

AND

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

AND

**IN THE MATTER OF
INVESTORS GROUP INC.,
4221079 CANADA INC. AND
IPC FINANCIAL NETWORK INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the "**Jurisdictions**") has received an application (the "**Application**") from Investors Group Inc. ("**Investors Group**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that Investors Group, 4221079 Canada Inc., a wholly-owned subsidiary of Investors Group ("**IPC Holdco**") and their affiliates from time to time, with respect to certain transfers of shares of IPC Holdco, be exempt from the requirements in the Legislation respecting issuer bids and take-over bids (collectively, the **"Issuer Bid and Take-over Bid Requirements");**

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Ontario Securities Commission is the Principal Regulator for the Application;

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

AND WHEREAS Investors Group and IPC Holdco have represented to the Decision Makers as follows:

1. Investors Group was incorporated under the *Canada Business Corporations Act* on August 3, 1978. Its registered and principal office is located in Winnipeg, Manitoba.

2. Investors Group is a reporting issuer, or its equivalent, in all provinces and territories of Canada.

3. Investors Group is not in default of any requirement of the Legislation and is not on the list of defaulting reporting issuers in any Jurisdiction in which such a list is maintained.

4. IPC Financial Network Inc. ("**IPC**") was incorporated under the *Canada Business Corporations Act* on May 14, 1998. IPC's registered and principal office is located in Mississauga, Ontario.

5. IPC is a reporting issuer, or its equivalent, in British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia.

6. IPC is not on the list of defaulting reporting issuers in any Jurisdiction in which such a list is maintained.

7. IPC and its subsidiaries presently conduct (and will continue to conduct) business across Canada through a network of financial advisors (the "**Advisors**").

8. According to an information memorandum provided to Investors Group by IPC, there are currently 92 Advisors in British Columbia, 26 Advisors in Alberta, 4 Advisors in Saskatchewan, 9 Advisors in Manitoba, 454 Advisors in Ontario, 3 Advisors in Quebec, 4 Advisors in New Brunswick, 41 Advisors in Nova Scotia, 9 Advisors in Newfoundland and Labrador and 1 Advisor in Prince Edward Island. IPC has advised Investors Group that approximately 175 Advisors currently hold common shares of IPC ("**IPC Shares**").

9. Although some of the Advisors are not employees of IPC, all Advisors have a written contract with IPC pursuant to which they devote a substantial amount of their time and attention to IPC's business.

10. IPC Holdco was incorporated under the *Canada Business Corporations Act* on February 10, 2004. Its registered and principal office is in Toronto, Ontario.

11. Investors Group and IPC entered into an acquisition agreement made as of February 24, 2004 pursuant to which Investors Group and IPC Holdco will, subject to certain conditions being met, acquire all of the shares of IPC by way of a proposed plan of arrangement (the "**Plan**") among Investors Group, IPC and IPC Holdco. The Plan provides that IPC Holdco will acquire all of the issued and outstanding IPC Shares for, at the election of the IPC shareholder: (i) cash and/or common shares of Investors Group ("**Investors Shares**"), or (ii) cash, Investors Shares and/or common shares of IPC Holdco ("**IPC Holdco Shares**"), in the case of certain shareholders of IPC who are Advisors and members of IPC management (the "**Officers**").

12. Upon the effective date of the Plan, the Advisors and the Officers (collectively, the "**IPC Holdco Shareholders**") will not own, as a group, more than 30% of the outstanding IPC Holdco Shares, and Investors Group will own the balance of the outstanding IPC Holdco Shares. Pursuant to the Plan (i) certain of the Officers will receive IPC Holdco Shares and Investors Shares; and (ii) the other Officers and certain Advisors may elect to receive IPC Holdco Shares, cash, or a combination of cash and Investors Shares, for each IPC Share held. IPC Holdco Shares are being used as consideration under the Plan in order to maintain the ownership interest of the Officers and certain Advisors in the IPC business (indirectly through IPC Holdco).

13. Other than Investors Group and its affiliates, all of the IPC Holdco Shareholders are, and will continue to be, "employees", "senior officers", "directors", "consultants" or "permitted assigns" for the purpose of Multilateral Instrument 45-105 - *Trades to Employees, Senior Officers, Directors and Consultants*.

14. As a condition to receiving IPC Holdco Shares under the Plan or, in the case of individuals who become IPC Holdco Shareholders in the future, subsequent to the implementation of the Plan, all potential IPC Holdco Shareholders will be required to enter into one or, in the case of certain IPC Holdco Shareholders, two shareholders' agreements (collectively, the "**Shareholders' Agreements**") with IPC Holdco and Investors Group.

15. The proposed terms of the Shareholders' Agreements include: (i) the right of each IPC Holdco Shareholder to cause IPC Holdco, Investors Group or an affiliate of Investors Group to purchase his or her IPC Holdco Shares from

time to time; (ii) the right of one or possibly more of IPC Holdco, Investors Group or any affiliate of Investors Group to purchase IPC Holdco Shares from each IPC Holdco Shareholder from time to time; (iii) an obligation of each IPC Holdco Shareholder to sell his or her IPC Holdco Shares to IPC Holdco, Investors Group or an affiliate of Investors Group in certain circumstances; and (iv) the right of IPC Holdco, Investors Group or an affiliate of Investors Group to purchase IPC Holdco Shares from a IPC Holdco Shareholder upon the occurrence of certain triggering events, such as bankruptcy or insolvency and certain events of default of a IPC Holdco Shareholder (collectively, the "**Transfers**").

16. The IPC Holdco Shareholders will, among other things, have access to a copy of the Shareholders' Agreements prior to the IPC shareholder's meeting called for the purpose of approving the Plan and, in the case of future IPC Holdco Shareholders, prior to receiving IPC Holdco Shares.

17. The letter of transmittal to be signed by each IPC Holdco Shareholder for the purpose of depositing his or her IPC Shares and receiving IPC Holdco Shares will contain an acknowledgment from the IPC Holdco Shareholder that he or she is aware that IPC Holdco will not become a reporting issuer, and that IPC Holdco will not be subject to the continuous disclosure requirements under the Legislation.

18. Pursuant to the terms of the Shareholders' Agreements, each IPC Holdco Shareholder will receive copies of IPC Holdco's quarterly and annual financial statements.

19. Unless relief is granted, the Transfers will be subject to the Issuer Bid and Takeover Bid Requirements because IPC Holdco's purchase of IPC Holdco Shares from the IPC Holdco Shareholders will be issuer bids and purchase by Investors Group, or an affiliate of Investors Group, of IPC Holdco Shares from the other IPC Holdco Shareholders will be takeover bids and any such Transfers will not be exempt under the Legislation as there may be more than 50 IPC Holdco Shareholders, exclusive of employees.

20. If the Legislation treated the Advisers and the permitted assigns of IPC Holdco Shareholders in the same manner as employees, the Transfers would be exempt from the Issuer Bid and Takeover Bid Requirements.

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

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

THE DECISION, of the Decision Makers in the Jurisdictions pursuant to the Legislation is that the Issuer Bid and Takeover Bid Requirements shall not apply to Transfers pursuant to the Shareholders' Agreements.

May 3, 2004.

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

2.2 Orders

2.2.1 Proprietary Industries Inc. - s. 144

Headnote

Section 144 – application for revocation of cease trade order – issuer subject to cease trade order as a result of its failure to file with the Commission and send to its shareholders annual and interim financial statements – issuer and former executive officers subject to enforcement proceedings in Alberta – former auditor withdrawing - issuer has brought filings up to date to the best of its ability filing full audited financial statements for the year ended September 30, 2003– full revocation granted.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., c. S.5, as am., ss. 127 and 144.

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

AND

IN THE MATTER OF
PROPRIETARY INDUSTRIES INC. ("PPI")

ORDER
(Section 144)

WHEREAS the securities of PPI are subject to an order of the Director of the Ontario Securities Commission (the “Director”) dated September 18, 2002 and extended by an order dated September 30, 2002 under section 127(1) of the Act (collectively, the “Order”) directing that trading in the securities of PPI cease until the Order is revoked by a further order of revocation.

AND WHEREAS PPI has applied to the Director for an order under section 144 of the Act to revoke the Order.

AND UPON PPI having represented to the Director that:

1. PPI is a corporation existing under the *Canada Business Corporations Act* with its head office and registered office in the Province of Alberta.

2. PPI is a reporting issuer in each province in Canada.

3. PPI is a principal merchant bank that owns, manages and deals in a portfolio of financial, natural resource and real estate interests.

4. The common shares of PPI are listed on the Toronto Stock Exchange and the Swiss Stock Exchange but are suspended from trading on both.

5. PPI is also subject to cease trade orders issued by British Columbia, Alberta, Manitoba and Quebec. PPI has concurrently applied for revocation of these cease trade orders.

6. PPI was the subject of an Alberta Securities Commission ("**ASC**") investigation commenced in June of 2001 relating to accounting improprieties of certain transactions during the 1998, 1999, 2000 and 2001 financial years.

7. In January 2002 the ASC issued a Notice of Hearing (the "**Notice of Hearing**") directed at PPI and Peter J. Workum ("**Workum**") and Theodor Hennig ("**Hennig**"), PPI's former Chief Executive Officer and Chief Financial Officer respectively.

8. The ASC issued a second Notice of Hearing against Workum, Hennig and four other entities on August 21, 2002 (the "**Second Notice**"). PPI was not named in the Second Notice. The hearing pursuant to the Second Notice is continuing.

9. In August 2002, the interim management of PPI and ASC Staff came to the common conclusion that significant revisions would be required to be made to the historical financial statements of PPI. With PPI's consent, the ASC issued a cease trade order against PPI.

10. In October of 2002, the former auditors of PPI, Hudson & Company ("**Hudson**"), withdrew their previous audit opinions for the years ended September 31, 1998, 1999, 2000 and 2001. Current management had attempted to cooperate with Hudson in order to facilitate the provision of a new opinion on the financial statements for the year ended September 30, 2001. It was determined, however, that the impact of the restatements was of such significance that this would be impractical from a cost and timing viewpoint.

11. Late in 2002 and early 2003, through discussions with representatives of PPI’s major shareholders, principally Swiss pension plans, and in order to restore investor confidence in PPI, new individuals were presented to the then current board of PPI as potential candidates for PPI's board of directors.

12. On January 20, 2003, PPI announced the appointment of Patrick J. Lavelle, Stephen C. Akerfeldt and Robert L. Julien, as its directors. These directors were subsequently elected by PPI's shareholders at its June 18, 2003 annual and special general meeting.

13. PPI appointed new management through late 2002 and early 2003.

14. On May 23, 2003, PPI filed its financial statements for the year ended September 30, 2002 and

restated its balance sheet as at September 30, 2001 (the "**Restated Financial Statements**").

15. As a result of the withdrawal by Hudson of its audit opinion for PPI's balance sheet for September 30, 2001 and there being no practical way for the new auditors of PPI, Mintz & Partners LLP ("**Mintz**") to obtain appropriate audit evidence for such statements, Mintz could not provide an audit opinion on operations and cash flow statements for the year ended September 30, 2002 in the Restated Financial Statements, or any of the operating amounts in the notes to the financial statements. Management prepared these amounts by utilizing the best information available to it. Mintz did render an opinion in respect of the balance sheet of PPI dated September 30, 2002. These matters and the difficulties experienced by the management of PPI and Mintz were discussed in great detail with ASC Staff.

16. On August 6, 2003, PPI filed its unaudited financial statements for the three months ended December 31, 2002 and for the six months ended March 31, 2003. On September 3, 2003 PPI filed its unaudited financial statements for the nine months ended June 30, 2003.

17. ASC Staff and PPI agreed, subject to ASC approval, to a settlement agreement dated August 26, 2003 (the "**Settlement Agreement**"), such Settlement Agreement being approved by the ASC in a decision dated September 10, 2003. Pursuant to the Settlement Agreement ASC Staff will take no further steps against PPI arising out of the facts set out in the Notice of Hearing.

18. On January 9, 2004, PPI filed annual financial statements for the year ended September 30, 2003 containing a full audit report, balance sheet and income statement.

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

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

IT IS ORDERED pursuant to section 144 of the Act that the Order is revoked.

May 5, 2004.

"John Hughes"

2.2.2 Consolidated Grandview Inc. - s. 144

Headnote

Section 144 – application for revocation of cease trade order – issuer subject to cease trade order as a result of its failure to file with the Commission interim financial statements – issuer has brought filings up to date – full revocation granted.

Ontario Statutory Provisions Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127 and 144.

Rule Cited

National Instrument 21-101 Marketplace Operation.

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

AND

IN THE MATTER OF
CONSOLIDATED GRANDVIEW INC.

ORDER
(Section 144)

WHEREAS the securities of Consolidated Grandview Inc. (the **"Reporting Issuer"**) are subject to a Temporary Order of the Manager made on behalf of the Ontario Securities Commission (the "**Commission**"), pursuant to paragraph 2 of subsections 127(1) and 127(5) of the Act on February 4, 2003, as extended by a further order of the Manager on February 14, 2003 on behalf of the Commission pursuant to subsection 127(8) of the Act (collectively the "**Cease Trade Order**"), directing that trading in the securities of the Reporting Issuer cease until the Cease Trade Order is revoked by a further order of revocation;

AND UPON the Reporting Issuer having applied to the Commission for revocation of the Cease Trade Order pursuant to section 144 of the Act;

AND UPON the Reporting Issuer having represented to the Commission that:

1. The Reporting Issuer was incorporated under the *Business Corporations Act* (Ontario) on November 23, 1945 and is a reporting issuer in the Province of Ontario;

2. The authorized capital of the Reporting Issuer consists of an unlimited number of common shares, of which 3,271,002 are issued and outstanding as of the date hereof;

3. No securities of the Reporting Issuer are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

4. The Cease Trade Order was issued by reason of the failure of the Reporting Issuer to file with the Commission its interim financial statements for the six-month period ended November 30, 2002 (the "**CTO Interim Financial Statements**"), as required by the Act;

5. On March 17, 2003, the Reporting Issuer filed the CTO Interim Financial Statements with the Commission through SEDAR;

6. The Reporting Issuer filed with the Commission through SEDAR:

   (a) the interim financial statements for the nine-month period ended February 28, 2003 on May 1, 2003;

   (b) the interim financial statements for the three-month period ended August 31, 2003 on February 4, 2004; and

   (c) the interim financial statements for the six-month period ended November 30, 2003 on February 4, 2004,

   (collectively the "**Subsequent Interim Financial Statements**");

7. The Reporting Issuer filed with the Commission through SEDAR:

   (a) revised annual financial statements for the year ended May 31, 2003 on April 26, 2004.

8. The Reporting Issuer has now brought its continuous disclosure filings up-to-date;

9. Except for the Cease Trade Order and the failure of the Reporting Issuer to file the Subsequent Interim Financial Statements when due, the Reporting Issuer is not otherwise in default of any requirements of the Act or the rules and regulation made thereunder;

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

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

IT IS ORDERED pursuant to section 144 of the Act that the Cease Trade Order be and is hereby revoked.

May 5, 2004.

"Cameron McInnis"

2.2.3 Armistice Resources Ltd. - s. 144

Headnote

Section 144 – application for partial revocation of cease trade order – issuer cease traded due to failure to file with the Commission and send to shareholders annual and interim financial statements – issuer has applied for a partial revocation of the cease trade order so as to permit the issuer to convert certain existing indebtedness into common shares, and to proceed with a limited financing to allow the issuer to fund the settlement of certain litigation, to reorganize the issuer's affairs, and to provide working capital – potential investors to receive copy of cease trade order, partial revocation order, current financial statements and current technical report prior to making investment decision – partial revocation granted subject to conditions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., c. S.5, as am., ss. 127 and 144.

Applicable Ontario Rules

National Instrument 43-101 Standards of Disclosure for Mineral Projects.
OSC Rule 45-501 Exempt Distributions.

Applicable Ontario Policies

National Policy 46-201 Escrow for Initial Public Offerings.

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

AND

IN THE MATTER OF
ARMISTICE RESOURCES LTD.

ORDER
(Section 144)

WHEREAS the securities of Armistice Resources Ltd. (the "Applicant") are subject to a cease trade order issued by the Ontario Securities Commission (the "Commission") on June 6, 2003 (the "Cease Trade Order");

AND WHEREAS the Applicant has applied to the Commission pursuant to section 144 of the Act (the "Application") for a partial revocation of the Cease Trade Order;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant was incorporated by amalgamation under the *Canada Business Corporations Act* on December 1, 1998.

2. The Applicant is a reporting issuer under the securities legislation (the "Legislation") of the

provinces of Ontario, British Columbia, Alberta and Québec.

3. The Cease Trade Order was issued due to the failure of the Applicant to file with the Commission its interim financial statements for the period ended March 31, 2003.

4. The Applicant is also subject to cease trade orders issued by the British Columbia Securities Commission on July 16, 2003, by the Alberta Securities Commission on September 26, 2003, and the Québec Securities Commission on June 10, 2003, all relating to the failure of the Applicant to file its financial statements for the period ended March 31, 2003.

5. The Applicant is not, to its knowledge, in default of any of the requirements of the Act, or the rules and regulations made pursuant thereto, other than the following:

   (a) the Applicant failed to file audited annual financial statements for the year ended June 30, 2003 and interim financial statements for the periods ended March 31, 2003, September 30, 2003, and December 31, 2003;

   (b) the Applicant failed to pay annual participation fees; and

   (c) the Applicant has taken the following steps, one or more of which may constitute a contravention of the Cease Trade Order:

      (i) the Applicant entered into the Omnibus Agreement described in paragraph 11 which, among other things:

         (A) provides for the conversion of certain indebtedness into securities of the Applicant, as described in paragraph 13;

         (B) pursuant thereto, the Applicant has entered into a loan agreement and general security agreement and has issued promissory notes as evidence of indebtedness to Mr. Todd Morgan for advances, also as described in paragraph 13;

         (C) pursuant thereto, the Applicant has entered into a loan agreement and issued promissory notes as evidence of indebtedness to Steve Reiken and Greg Smith for advances, as described in paragraph 13; and

         (D) pursuant thereto, the Applicant contemplates a proposed financing and the issuance of shares and warrants to potential investors and/or the litigation parties.

6. Prior to the date hereof, the Applicant had not remedied the deficiencies described in paragraph 5 (a) as it did not have sufficient funds to do so. The Applicant has undertaken to pay its annual participation fees within two (2) business days of the date hereof. To the extent that one or more of the actions described in paragraph 5(c) constitute a contravention of the Cease Trade Order, such contravention was inadvertent. The Applicant has apprised itself of the restrictions contained in the Cease Trade Order and its obligations under the Legislation generally to ensure future compliance with the terms of the Cease Trade Order.

7. The Applicant has not previously been subject to a cease trade order of the Commission or in any other jurisdiction.

8. The Applicant's authorized capital consists of an unlimited number of common shares (the "Common Shares"), of which approximately 96,504,911 Common Shares are issued and outstanding.

9. In 1984, the Applicant acquired an interest in a gold property near Virginiatown in the Larder Lake area of northeastern Ontario (the "Property"). During the 1980's and 1990's, the Applicant spent approximately $30 million in development work on the Property. The status of operations on the Property as of July 5, 2002 is set out in a report prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* entitled "Report on the Armistice Resources Ltd. Virginiatown Gold Project, McGarry Township, Ontario" by S.J. Carmichael and has been filed with the Commission as of the date hereof.

10. On June 4, 2002, Sheldon-Larder Mines, Limited, a royalty holder on the Property commenced legal action against the Applicant for arrears of advance royalty payments (currently in arrears of

approximately $470,000). On June 4, 2003, Harvey Atkin, a former director exercised his rights in an ex-parte foreclosure action with respect to funds he had loaned to the Company, and by court order, all of the Applicant's properties were transferred into his name. Sheldon-Larder expanded its legal action to include Mr. Atkin, and is seeking an order to reverse the transfer of the properties to Mr. Atkin.

11. Mr. Todd Morgan, a shareholder of the Applicant holding 299,000 common shares of the Applicant (representing approximately 0.31% of the issued and outstanding share capital of the Applicant), has negotiated a "stand-still" agreement (the "Omnibus Agreement") amongst the Company and the parties to the litigation which agreement has been filed with the Commission as of the date hereof.

12. The purpose of the Omnibus Agreement is to enable the Company to proceed with a minimum $2 million financing (the "Proposed Financing") sufficient to fund the settlement of the litigation, the transfer of the Property back to Applicant, the re-organization of the Applicant's affairs, and to provide working capital.

13. Under the terms of the Omnibus Agreement, and pursuant to a loan agreement made in connection therewith, Mr. Morgan, a related company, and his father (collectively, the "Morgan Group") may advance up to $200,000 (the "Morgan Advances") to the Applicant to pay the legal and accounting expenses in connection with: negotiating the Omnibus Agreement; preparing and filing of financial statements; obtaining this Order; obtaining a final revocation order; and completing the Proposed Financing. As security, Mr. Morgan has a general security interest against the Applicant's assets (which do not include the Property). The Omnibus Agreement also provides that, conditional upon the revocation or partial revocation of the Cease Trade Order, the Morgan Group may convert its $200,000 indebtedness to common shares and warrants of the Applicant, as described hereinafter. In addition, Steve Reiken and Greg Smith, each a director of the Applicant, may each convert $10,000 of indebtedness to common shares and warrants of the Applicant, as described hereinafter. All such conversion of indebtedness shall be referred to as the "Debt Conversion".

14. The Applicant will undertake the following steps (the "Steps") in connection with the Omnibus Agreement, the Morgan Advances, the Debt Conversion and the Proposed Financing:

    (a) Upon issuance of this Order, issue a press release and file a Material Change Report announcing the Omnibus Agreement, the Morgan Advances, the Debt Conversion and the Proposed Financing and this Order;

    (b) Upon issuance of this Order, Morgan will make advances to the Applicant as contemplated in this Order;

    (c) Upon issuance of this Order and from time to time prior to the Proposed Financing, issue the number of Units to members of the Morgan Group, Steve Reiken and Greg Smith at a price of CDN $0.01 per Unit in full settlement of the debts owed to them. Each Unit will consist of one common share and one-half of one common share purchase warrant. Each whole purchase warrant will entitle the holder to subscribe for one common share at the same exercise price and for the same duration and on the same terms and conditions as share purchase warrants to be issued to the Proposed Financing investors;

    (d) Upon issuance of this Order, Todd Morgan will act as a "promoter" (as defined in the Act) of the Applicant to market the Proposed Financing and to provide information only to potential investors (the "Potential Investors") who qualify as "accredited investors" (as defined in OSC Rule 45-501 *Exempt Distributions*) in the Province of Ontario in accordance with the provisions of this Order and in accordance with the requirements of Ontario securities law; and

    (e) To apply for a full revocation of the Cease Trade Order in due course which application shall include, without limitation, the filing with the Commission annual financial statements for the year ended June 30, 2003 as well as interim statements for September 30, 2003, December 31, 2003 and March 31, 2004, an updated technical report completed in accordance with National Instrument 43-101.

15. Proceeds from $150,000 of the Morgan Advances will be used solely to permit the Applicant to pay for:

    (a) the preparation of interim financial statements for the periods ended September 30, 2003, December 31, 2003 and March 31, 2004;

    (b) the preparation and audit of annual financial statements for the period ended June 30, 2003;

(c) the services of legal counsel with regard to the negotiation of the Omnibus Agreement, preparation of the Debt Conversion, preparation for the Proposed Financing and the application for this Order and the final revocation order;

(d) the preparation of a current technical report in accordance with National Instrument 43-101;

(e) the preparation of an independent auditor's report with respect to verification of amounts owing to one of the parties to the litigation;

(f) payment of the outstanding participation fees owing to the Commission;

(g) a portion of legal costs to complete the Proposed Financing (the remainder to come from proceeds of the Proposed Financing); and

(h) payment of outstanding annual participation fees.

The Applicant has recognized $50,000 of the Morgan Advances as being services "in kind" by Todd Morgan with respect to negotiations with the litigation parties and the Omnibus Agreement and with respect to preparing for the Proposed Financing.

16. Concurrent with the Debt Conversion, each member of the Morgan Group, Steve Reiken and Greg Smith shall:

(a) receive a copy of the Cease Trade Order;

(b) receive a copy of this Order;

(c) receive written notice from the Applicant, and acknowledge, in a form acceptable to the Commission, that all of the Applicant's securities, including any and all Common Shares issued in connection with the Debt Conversion, will remain subject to the Cease Trade Order following the Debt Conversion; and

(d) enter into separate agreements with the Applicant, and an escrow agent providing for the escrow of each of the shares issued upon the Debt Conversion in accordance with National Policy 46-201 *Escrow for Initial Public Offerings*.

17. Prior to the completion of the Proposed Financing, each Potential Investor approached by Todd Morgan shall receive:

(a) a copy of the Cease Trade Order;

(b) a copy of this Order;

(c) a copy of the audited financial statements for the year ended June 30, 2003 as well as interim statements for September 30, 2003, December 31, 2003 and March 31, 2004; and

(d) a copy of the June 2002 technical report prepared in accordance with National Instrument 43-101 and prior to closing of the Proposed Financing a copy of an updated 43-101 technical report.

18. Prior to the completion of the Proposed Financing, each of the Potential Investors who will be participating in the Proposed Financing will be required to execute and return to the Applicant a form of acknowledgement in a form acceptable to the Commission.

19. The Applicant has applied for a partial revocation of the Cease Trade Order so as to permit the Applicant, the Morgan Group and the directors to enter into the Steps on substantially the terms described in this Order.

20. The Applicant is not considering, nor is it involved in any discussion relating to a reverse take-over, merger, amalgamation or other form of combination or transaction similar to any of the foregoing (collectively, an "RTO").

21. Following the completion of the Steps, the Applicant intends to make a further application for a full revocation of the Cease Trade Order so as to permit trading of the securities generally at the time of completion of the Proposed Financing which is scheduled to be completed on or about June 15, 2004, but in any event no later than June 30, 2004. At the time of this subsequent application, the Applicant will file with the Commission and provide proof that the Potential Investors have been provided with copies of current financial statements and technical reports prepared in accordance with National Instrument 43-101.

22. Trades in the common shares of the Applicant were previously reported on the Canadian Unlisted Board. The Applicant has no securities, including debt securities, listed or quoted on any exchange or market.

23. Other than the common shares, the Applicant has no securities, including debt securities, outstanding with the exception of stock options granted to directors, which options will be cancelled as contemplated in the Omnibus Agreement.

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

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

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order be and is hereby partially revoked solely to permit the trades and the acts in furtherance of trades

(a) that are necessary for and are in connection with the Omnibus Agreement, the Morgan Advances, the Debt Conversion and the Proposed Financing; and

(b) that occur on or after the date of this Order.

May 6, 2004.

"Charlie MacCready"

2.2.4 Canadian Trading and Quotation System Inc. - ss. 21 and 144

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

AND

IN THE MATTER OF
CANADIAN TRADING AND QUOTATION INC.

RECOGNITION ORDER
(Section 21 of the Act)

AND

REVOCATION ORDER
(Section 144 of the Act)

WHEREAS the Commission issued an order dated February 28, 2003, recognizing the Canadian Trading and Quotation System Inc. (CNQ) as a quotation and trade reporting system (QTRS) pursuant to section 21.2.1 of the Act (QTRS Recognition Order);

AND WHEREAS CNQ has now applied for recognition as a stock exchange pursuant to section 21 of the Act so that issuers traded on CNQ will automatically become reporting issuers in Ontario upon acceptance for trading on CNQ;

AND WHEREAS CNQ has agreed to be recognized as a stock exchange on substantially similar terms and conditions as contained in the QTRS Recognition Order;

AND WHEREAS CNQ requests that the QTRS Recognition Order be rescinded so that it will be recognized only as a stock exchange;

AND WHEREAS CNQ is operating a screen-based, automated electronic marketplace;

AND WHEREAS the Commission has received certain representations and undertakings from CNQ in connection with CNQ's application for recognition as a stock exchange;

AND WHEREAS CNQ's application for recognition as a stock exchange incorporates by reference its application for recognition as a QTRS dated July 16, 2002, modified only to reflect the fact that CNQ has now commenced trading operations;

AND WHEREAS the Commission has determined that the recognition of CNQ as a stock exchange on substantially similar terms and conditions as in the QTRS Recognition Order would not be prejudicial to the public interest;

THE COMMISSION hereby recognizes CNQ as a stock exchange pursuant to section 21of the Act, subject to

the terms and conditions attached at Schedule A, and revokes the QTRS Recognition Order pursuant to section 144 of the Act.

May 7, 2004.

"David A. Brown"
"Susan Wolburgh Jenah"
"Robert L. Shirriff"

SCHEDULE A

TERMS AND CONDITIONS

1. CORPORATE GOVERNANCE

(a) CNQ's arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules, policies and other similar instruments (Rules) of CNQ, namely, the governing body, are such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of CNQ (CNQ Dealer) and companies seeking to be quoted on CNQ (CNQ Issuer), and a reasonable number and proportion of directors will be "independent" in order to ensure diversity of representation on the Board. An independent director is a director that is not:

i) an associate, director, officer or employee of a CNQ Dealer;

ii) an officer or employee of CNQ or its affiliates;

iii) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of CNQ; or

iv) a person who owns or controls, directly or indirectly, over 10% of CNQ.

In particular, CNQ will ensure that at least fifty per cent (50%) of its directors will be independent. In the event that at any time CNQ fails to meet such requirement, it will promptly remedy such situation.

(b) Without limiting the generality of the foregoing, CNQ's governance structure provides for:

(i) fair and meaningful representation on its governing body, in the context of the nature and structure of CNQ, and any governance committee thereto and in the approval of Rules;

(ii) appropriate representation of independent directors on any CNQ Board committees; and

(iii) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of CNQ generally.

2. FITNESS

In order to ensure that CNQ operates with integrity and in the public interest, each person or company that owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ is a fit and proper person and the past conduct of each person or company that owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ affords reasonable grounds for belief that the business of CNQ will be conducted with integrity.

3. FAIR AND APPROPRIATE FEES

(a) Any and all fees imposed by CNQ will be equitably allocated. Fees will not have the effect of creating barriers to access and must be balanced with the criteria that CNQ will have sufficient revenues to satisfy its responsibilities.

(b) CNQ's process for setting fees will be fair, appropriate and transparent.

4. ACCESS

(a) CNQ's requirements permit all properly registered dealers that are members of a recognized SRO and satisfy access requirements established by CNQ to access the facilities of CNQ.

(b) Without limiting the generality of the foregoing, CNQ will:

(i) establish written standards for granting access to CNQ Dealers trading on CNQ;

(ii) not unreasonably prohibit or limit access by a person or company to services offered by it; and

(iii) keep records of

(A) each grant of access including, for each CNQ Dealer, the reasons for granting such access, and

(B) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

5. FINANCIAL VIABILITY

(a) CNQ will maintain sufficient financial resources for the proper performance of its functions.

(b) CNQ will calculate and report those financial ratios described below to permit trend analysis and provide an early warning signal with respect to the financial health of the company.

(c) CNQ will maintain: (i) a liquidity measure greater than or equal to zero; (ii) a debt to cash flow ratio less than or equal to 4.0/1; and (iii) a leverage ratio less than or equal to 4.0/1. For this purpose:

(i) liquidity measure is:

(working capital + borrowing capacity) - 2 (adjusted budgeted expenses + adjusted capital expenditures – adjusted revenues)

where:

A) working capital is current assets minus current liabilities,

B) borrowing capacity is the principal amount of long term debt available to be borrowed under loan or credit agreements that are in force,

C) adjusted budgeted expenses are 95% of the expenses (other than depreciation and other non-cash items) provided for in the budget for the current fiscal year,

D) adjusted capital expenditures are 50% of average capital expenditures for the previous three fiscal years, except that in each of the first three years, adjusted capital expenditures shall be determined as follows:

- in the first year after February 28, 2003 (Year 1), 50% of 1/3rd of Start Up Capital Expenditures;
- in the second year after February 28, 2003 (Year 2), 50% of [1/3rd (2/3rd Start-up Capital Expenditures plus Year 1 Capital Expenditures)]; and,
- in the third year after February 28, 2003 (Year 3), 50%[1/3rd(1/3rd Start-up Capital Expenditures plus Year 1 Capital Expenditures plus Year 2 Capital Expenditures)]

where Start-up Capital Expenditures are the total Capital Expenditures prior to July 25, 2003, and

E) adjusted revenues are 80% of revenues plus 80% of investment income for the previous fiscal year, except that in each of the first two years after recognition as a stock exchange, adjusted revenues shall be calculated as 80% of revenues plus 80% of investment income as forecasted on April 7, 2004,

(ii) debt to cash flow ratio is the ratio of total debt (including any line of credit drawdowns, term loans (current and long-term portions) and debentures, but excluding accounts payables, accrued expenses and other liabilities) to EBITDA (or earnings before interest, taxes depreciation and amortization) for the previous month multiplied by 12, and

(iii) financial leverage ratio is the ratio of total assets to shareholders' equity,

in each case following the same accounting principles as those used for the audited financial statements of CNQ, except as provided in paragraphs "h" and "i" below.

(d) On a quarterly basis (along with the quarterly financial statements required to be filed pursuant to paragraph 10), CNQ will report to the Commission the monthly calculation of the liquidity measure and debt to cash flow and financial leverage ratios, the appropriateness of the calculations and whether any alternative calculations should be considered.

(e) Except as provided in "g" below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio in any month, it shall immediately report to the Commission or its staff.

(f) Except as provided in "g" below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its President will immediately deliver a letter advising the Commission or its staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem, and CNQ will not, without the prior approval of a Director of the Commission, make any capital expenditures not already reflected in the financial statements, or make any loans, bonuses, dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for at least six months.

(g) Recognizing that CNQ is a start-up operation expecting to incur losses, the following apply during the first two years of operations after recognition as a stock exchange:

(i) paragraphs "e" and "f" above shall not apply if the debt to cash flow ratio is negative or greater than 4.0/1, but CNQ will not, without the permission of the Director, make any loans,

bonuses, cash dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for six months, except for bonuses payable to employees under a profit sharing bonus plan included in the forecast financial statements provided to the Commission as part of the application for recognition, and

(ii) on a quarterly basis (along with the quarterly financial statements required to be filed pursuant to paragraph 10), CNQ will provide the Commission with the following:

A) a comparison of the revenues and expenses incurred by CNQ with the revenues and expenses forecasted on April 7, 2004, for each of the months, and

B) for each revenue item whose actual was lower than its forecasted amount by 15% or more, and for each expense item whose actual was higher than its forecasted amount by 15% or more, the reasons for the variance and the steps that will be or have been taken to address any issues arising from the variance.

(h) CNQ may recognize the subordinated, convertible debentures described in the term sheet dated November 29, 2002 (“Subordinated, Convertible Debentures”) as equity for the purposes of calculating the financial ratios in paragraph “c” above, provided that:

(i) the amount of the Subordinated, Convertible Debentures recognized as equity should not exceed $5,000,000;

(ii) CNQ shall not repay the Subordinated, Convertible Debentures or pay cash interest on the Subordinated, Convertible Debentures if such payment will result in CNQ not meeting the financial ratios; and

(iii) prior to making a cash interest payment or principal repayment, CNQ should demonstrate to the satisfaction of the Commission that it will continue to meet the financial ratios after payment.

(i) CNQ may recognize the debts owed by CNQ described in the subordinated agreement dated December 23, 2002 between 1141216 Ontario Limited, Wendsley Lake Corporation, CNQ and The Business, Engineering, Science & Technology Discoveries Fund Inc. (“Junior Debt”) as equity for the purposes of calculating the financial ratios in paragraph “c” above, provided that:

(i) CNQ shall not repay the Junior Debt or pay cash interest on the Junior Debt if such payment will result in CNQ not meeting the financial ratios; and

(ii) prior to making a cash interest payment or principal repayment, CNQ should demonstrate to the satisfaction of the Commission that it will continue to meet the financial ratios after payment.

6. REGULATION

(a) CNQ will maintain its ability to perform its regulation functions including setting requirements governing the conduct of CNQ Dealers and CNQ Issuers and disciplining CNQ Dealers and CNQ Issuers.

(b) CNQ has retained and will continue to retain Market Regulation Services Inc. (RS Inc.) as a regulation services provider to provide, as agent for CNQ, certain regulation services which have been approved by the Commission. CNQ will provide to the Commission, on an annual basis, a list outlining the regulation services performed by RS Inc. and the regulation services performed by CNQ. All amendments to those listed services are subject to the prior approval of the Commission.

(c) CNQ will provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report will

be in such form as may be specified by the Commission from time to time.

(d) CNQ will perform all other regulation functions not performed by RS Inc.

(e) Management of CNQ (including the President and CEO) will at least annually assess the performance by RS Inc. of its regulation functions and report to the Board, together with any recommendations for improvements. CNQ will provide the Commission with copies of such reports and shall advise the Commission of any proposed actions arising therefrom.

(f) CNQ shall provide the Commission with the information set out in Appendix A, as amended from time to time.

7. CAPACITY AND INTEGRITY OF SYSTEMS

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, CNQ will:

(a) on a reasonably frequent basis, and in any event, at least annually,

(i) make reasonable current and future capacity estimates;

(ii) conduct capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

(iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;

(iv) review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards, and natural disasters;

(v) establish reasonable contingency and business continuity plans;

(b) annually, cause to be performed an independent review and written report, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (a) and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review; and

(c) promptly notify the Commission of material systems failures and changes.

8. PURPOSE OF RULES

(a) CNQ will establish Rules that are necessary or appropriate to govern and regulate all aspects of its business and affairs.

(b) More specifically, CNQ will ensure that:

(i) the Rules are designed to:

(A) ensure compliance with securities legislation;

(B) prevent fraudulent and manipulative acts and practices;

(C) promote just and equitable principles of trade;

(D) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and

(E) provide for appropriate discipline.

(ii) the Rules do not:

(A) permit unreasonable discrimination among CNQ Issuers and CNQ Dealers; or

(B) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.

(iii) the Rules are designed to ensure that its business is conducted in a manner so as to afford protection to investors.

9. RULES AND RULE-MAKING

CNQ will comply with the rule review process set out in Appendix B, as amended from time to time, concerning Commission approval of changes in its Rules.

10. FINANCIAL STATEMENTS

CNQ will file unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of each year end, prepared in accordance with generally accepted accounting principles.

11. DISCIPLINE RULES

(a) CNQ will ensure, through Market Regulation Services Inc. and otherwise, that any person or company subject to its regulation is appropriately disciplined for violations of securities legislation and the Rules.

(b) CNQ will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation.

12. DUE PROCESS

CNQ will ensure that:

(a) its requirements relating to access to the facilities of CNQ, the imposition of limitations or conditions on access and denial of access are fair and reasonable;

(b) parties are given an opportunity to be heard or make representations; and

(c) it keeps a record, gives reasons and provides for appeals of its decisions.

13. INFORMATION SHARING

CNQ will share information and otherwise co-operate with the Commission and its staff, the Canadian Investor Protection Fund, other Canadian exchanges and recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions.

14. ISSUER REGULATION

(a) CNQ will ensure that only the issuers set out in Appendix C, as amended from time to time, are eligible for listing, provided that upon application by CNQ made at any time after May 15, 2005, the Commission may amend or revoke this condition if it determines that to do so would not be prejudicial to the public interest.

(b) CNQ has sufficient authority over its issuers.

(c) CNQ carries out appropriate review procedures to monitor and enforce issuer compliance with the Rules.

(d) CNQ will amend its Policies and Forms, from time to time, at the request of the Director, Corporate Finance, to reflect changes to the disclosure requirements of Ontario securities law.

15. CLEARING AND SETTLEMENT

CNQ has appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission for the purposes of the *Securities Act* (Ontario).

16. TRANSPARENCY REQUIREMENTS

CNQ will comply with the pre-trade and post-trade transparency requirements set out in National Instrument 21-101 Marketplace Operation.

17. ADDITIONAL INFORMATION

(a) CNQ has completed and submitted Form 21-101F1 (including the exhibits) to the Commission.

(b) CNQ will provide the Commission with any additional information the Commission may require from time to time.

Appendix A

Information to be filed

1. Quarterly Reporting on Exemptions or Waivers Granted

On a quarterly basis, CNQ will submit to the Commission a report summarizing all exemptions or waivers granted pursuant to the rules, policies or other similar instruments (Rules) to any CNQ Dealer or CNQ Issuer during the period. This summary should include the following information:

(a) The name of the CNQ Dealer or CNQ Issuer;

(b) The type of exemption or waiver granted during the period

(c) Date of the exemption or waiver, and

(d) A description of CNQ staff's reason for the decision to grant the exemption or waiver.

2. Quarterly Reporting on Quotation Applications

On a quarterly basis, CNQ will submit to the Commission a report containing the following information:

(a) The number of listing applications filed;

(b) The number of listing applications that were accepted;

(c) The number of listing applications that were rejected and the reasons for rejection, by category;

(d) The number of listing applications that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category;

(e) The number of listing applications filed by CNQ Issuers as a result of a Fundamental Change;

(f) The number of listing applications filed by CNQ Issuers as a result of a Fundamental Change that were accepted;

(g) The number of listing applications filed by CNQ Issuers as a result of a Fundamental Change that were that were rejected and the reasons for rejection, by category;

(h) The number of listing applications filed by CNQ Issuers as a result of a Fundamental Change that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category.

In each of the foregoing cases, the numbers shall be broken down by industry category and in any other manner that a Director of the Commission requests.

3. Notification of suspensions and disqualifications

If a CNQ Issuer has been suspended or disqualified from qualification for listing, CNQ will immediately issue a press release setting out the reasons for the suspension and file this information with the Commission.

Appendix B

Rule Review Process

1. CNQ will file with the Commission each new or amended rule, policy and other similar instrument (Rules) adopted by its Board.

2. More specifically, CNQ will file the following information:

   (a) the Rule;

   (b) a notice of publication including:

      (i) a description of the Rule and its impact;

      (ii) a concise statement, together with supporting analysis, of the nature, purpose and effect of the Rule;

      (iii) the possible effects of the Rule on marketplace participants, competition and the costs of compliance;

      (iv) a description of the rule-making process, including a description of the context in which the Rule was developed, the process followed, the issues considered, the consultation process undertaken, the alternative approaches considered and the reasons for rejecting the alternatives;

      (v) where the Rule requires technological changes to be made by CNQ, CNQ Dealers or CNQ Issuers, CNQ will provide a description of the implications of the Rule and, where possible, an implementation plan, including a description of how the Rule will be implemented and the timing of the implementation;

      (vi) a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the Rule to the rule of the other jurisdiction; and

      (vii) whether the Rule is classified as "public interest" or "housekeeping"; and

      (viii) where the Rule is classified as "housekeeping", the effective date of the Rule.

3. For the purposes of the Rule Review Process, a Rule may be classified as "housekeeping" if it does not affect the meaning, intent or substance of an existing rule and involves only:

   (a) the correction of spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing;

   (b) stylistic formatting, including changes to headings or paragraph numbers;

   (c) amendments required to ensure consistency with an existing approved rule; or

   (d) changes in routing procedures and administrative practices of CNQ provided that such changes do not impose any significant burden or any barrier to competition that is not appropriate.

   Any Rule falling outside of this definition would be categorized as a "public interest" Rule. Prior to proposing a Rule that is of a "public interest" nature, as defined above, the Board of Directors of CNQ shall have determined that the entry into force of such "public interest" Rule would be in the best interests of the capital markets in Ontario. The material filed with the Commission in relation to "public interest" Rules shall be accompanied by a statement to that effect.

4. Where a Rule has been classified as "public interest", the Commission will publish for a 30 day comment period in its bulletin or on its website the notice filed by CNQ and the Rule. If amendments to the Rule are necessary as a result of comments received, the Commission shall have discretion to determine whether the Rule should be re-published for comment. If the Rule is re-published, the request for comment shall include CNQ's summary of comments and responses thereto together with an explanation of the revisions to the Rule and the supporting rationale for the amendments.

5. A "public interest" Rule will be effective as of the date of Commission approval or on a date determined by CNQ, whichever is later. A "housekeeping" Rule shall be deemed to have been approved upon being filed with the Commission, unless staff of the Commission communicate to CNQ, within five business days of receipt of the Rule, their disagreement with CNQ's

classification of the Rule as “housekeeping” and the reasons for their disagreement. Where staff of the Commission disagree with CNQ’s classification, CNQ shall re-file the Rule as a “public interest” Rule. A “housekeeping” Rule shall be effective on the date indicated by CNQ in the filing.

6. The Commission shall publish a Notice of Commission Approval of both “public interest” and “housekeeping” Rules in its bulletin or on its website. All such notices relating to “public interest” Rules shall also include CNQ’s summary of comments and responses thereto. All such notices relating to “housekeeping” Rules shall be accompanied by the notice filed by CNQ and the Rule itself.

7. If CNQ is of the view that there is an urgent need to implement a Rule, CNQ may make a Rule effective immediately upon approval by CNQ’s board of directors provided that CNQ:

   (a) provides the Commission with written notice of the urgent need to implement the Rule prior to the submission of the Rule to CNQ’s board of directors; and

   (b) includes in the notice referenced in 2(b)(ii) an analysis in support of the need for immediate implementation of the Rule.

8. If the Commission does not agree that immediate implementation is necessary, the Commission will advise CNQ that is disagrees and provide the reasons for its disagreement. If no notice is received by CNQ within 5 business days of the Commission receiving CNQ’s notification, CNQ shall assume that the Commission agrees with its assessment.

9. A Rule that is implemented immediately shall be published, reviewed and approved in accordance with the procedure set out above. Where the Commission subsequently disapproves a Rule that was implemented immediately, CNQ shall repeal the Rule and publish a notice informing its marketplace participants.

10. The terms, conditions and procedures set out in this section may be varied or waived by the Commission. A waiver or variation may be specific or general and may be made for a time or for all time.

Appendix C

Eligible Issuers

1. Only an issuer that is a reporting issuer or the equivalent in a jurisdiction in Canada and that is not in default of any requirements of securities legislation in any jurisdiction in Canada is eligible for listing.

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Chapter 4

Cease Trading Orders

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Atlas Cold Storage Income Trust	02 Dec 03	15 Dec 03	15 Dec 03	11 May 04	

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Chapter 6

Request for Comments

6.1.1 Notice of Proposed Amendment to and Restatement of National Instrument 55-101 Exemption from Certain Insider Reporting Requirements and Companion Policy 55-101CP Exemption from Certain Insider Reporting Requirements

NOTICE OF PROPOSED INSTRUMENT AND COMPANION POLICY

PROPOSED AMENDMENT TO AND RESTATEMENT OF
NATIONAL INSTRUMENT 55-101
EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS
AND
COMPANION POLICY 55-101CP
EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS

Request for Public Comment

The Canadian Securities Administrators (the CSA) are publishing for a 90-day comment period the following documents:

- National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (the Proposed Instrument), and
- Companion Policy 55-101CP *Exemption from Certain Insider Reporting Requirements* (the Proposed Policy).

The Proposed Instrument and the Proposed Policy are collectively referred to as the Proposed Materials.

The Proposed Materials are being published concurrently with this Notice and can be obtained on websites of CSA members, including the following:

- www.bcsc.bc.ca
- www.albertasecurities.com
- www.sfsc.gov.sk.ca
- www.msc.gov.mb.ca
- www.osc.gov.on.ca
- www.lautorite.qc.ca

The Proposed Materials are intended to replace the current version of National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (the Current Instrument) and Companion Policy 55-101CP *Exemption from Certain Insider Reporting Requirements* (the Current Policy) that came into effect in all CSA jurisdictions on May 15, 2001. The Current Instrument and the Current Policy will continue to be in force in all jurisdictions until such time as they are replaced by the Proposed Materials or otherwise amended or repealed.

We request comments on the Proposed Materials by August 13, 2004.

Substance and Purpose of the Current Instrument and the Current Policy

Canadian securities legislation requires insiders of a reporting issuer to disclose ownership of and trading in securities of that reporting issuer. The insider reporting requirements serve a number of functions, including deterring illegal insider trading and increasing market efficiency by providing investors with information concerning the trading activities of insiders of the issuer, and, by inference, the insiders' views of their issuers' prospects.

The purpose of the Current Instrument and the Current Policy is to provide certain exemptions from the obligation to file insider reports under Canadian securities legislation where the policy rationale underlying the obligation do not apply. For more

information about the Current Instrument and the Current Policy, please refer to the Notice and related materials which were published in May 2001 at the time the Current Instrument and Current Policy came into force. Copies of this Notice, the Current Instrument and the Current Policy can be obtained on the websites of the CSA members noted above.

Substance and Purpose of the Proposed Instrument and the Proposed Policy

1. Summary of Changes to the Current Instrument and the Current Policy

The most significant changes to the Current Instrument are as follows:

(a) The Proposed Instrument contains an exemption from the insider reporting requirements for senior officers of a reporting issuer or a subsidiary of a reporting issuer who meet the following criteria (the *non-executive officer exemption*):

- the individual is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

- the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

- the individual is not an insider of the reporting issuer in any other capacity.

(b) The requirement in the Current Instrument to prepare and maintain a list of insiders exempted from the insider reporting requirement by virtue of certain provisions of the Current Instrument has been supplemented by a requirement to maintain a list of insiders who are not so exempted. As an alternative to complying with the requirement to prepare and maintain a list of exempt insiders and a list of non-exempt insiders, a reporting issuer may instead file an undertaking with the regulator or securities regulatory authority that it will make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in such lists as at the time of the request.

(c) The Proposed Instrument also contains a new requirement requiring reporting issuers to prepare and maintain reasonable policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer.

(d) The existing exemption in the Current Instrument relating to *acquisitions* of securities pursuant to an "automatic securities purchase plan" has been amended to include an exemption for certain *dispositions* of securities that commonly occur in connection with a plan, and that we believe may be reported on an annual basis (the *specified disposition amendment*). These dispositions include:

- a disposition which is incidental to the operation of an automatic securities purchase plan and which does not involve a "discrete investment decision" by the director or senior officer; and

- a disposition which is made to satisfy a tax withholding obligation arising from the distribution of securities under an automatic securities purchase plan and which results from an irrevocable election by the senior officer or director to fund the tax withholding obligation through a disposition of securities not less than 30 days prior to the date of the disposition.

(e) The existing exemption in the Current Instrument relating to acquisitions of securities pursuant to an "automatic securities purchase plan" has also been amended to provide that the alternative reporting requirement that allows for a consolidated report to be filed within 90 days of the end of the calendar year does not apply if, at the time the alternative report becomes due, the individual has ceased to be subject to an insider reporting requirement (the *alternative report amendment*). This situation may arise, for example, in the following circumstances:

- the individual may have ceased to be an insider at the time the alternative filing requirement becomes due; or

- the individual may have subsequently become entitled to rely on an exemption contained in an exemptive relief decision or Canadian securities legislation (such as, for example, an exemption contained in NI 55-101).

We have attached to this Notice as Appendix "A" a blackline showing the changes that we propose to make to the Current Instrument and the Current Policy.

2. Reasons for proposing these changes

We have proposed the changes contained in the Proposed Materials as we believe that these changes will improve the effectiveness of the insider reporting system by better focusing the insider reporting requirement on meaningful information that is important to the market.

Accordingly, we believe that the principal benefits associated with these changes are as follows:

- enhanced deterrence against unlawful insider trading, since the insider reporting obligation will now focus more closely on insiders who routinely have access to material undisclosed information;

- increased market efficiency, since the trading activities of "true" insiders may be obscured under the current system by the large volume of insider reports filed by persons who are statutory insiders but who do not routinely have access to material undisclosed information; and

- a significant reduction in the regulatory burden associated with insider reporting on insiders, issuers and the securities regulatory authorities.

We have briefly summarized the rationale underlying the non-executive officer exemption, the specified disposition amendment and the alternative report amendment below.

3. Background to the non-executive officer exemption

The definition of "insider" in Canadian securities legislation includes individuals who hold the title of "vice-president". When the insider reporting requirements were developed in the 1960s, persons who held such a title generally were considered to exercise a senior officer function and were therefore required to file insider reports.

Since that time, we recognize that it has become widespread industry practice, particularly in the financial services sector, for issuers to grant the title of "vice-president" to certain employees primarily for marketing purposes. This phenomenon is sometimes referred to as "title inflation" or "title creep". In many cases, these individuals do not ordinarily have access to material undisclosed information prior to general disclosure and would not reasonably be considered to be senior officers from a functional point of view. (In this notice, such vice-presidents are referred to as "non-executive vice-presidents".) For many larger issuers, the ratio of non-executive vice-presidents to vice-presidents who exercise a senior officer function may be very high.

We recognize that requiring *all* vice-presidents to file insider reports may impose significant regulatory costs on these individuals and their issuers for little or no corresponding benefit. It has been suggested that the current requirements may actually serve to undermine the policy objectives underlying the insider reporting requirements, since the trading activities of "true" insiders may be hidden by the large volume of insider reports filed by non-executive vice-presidents. Consequently, as a result of changes in industry practice, we believe that it is no longer appropriate to require all persons who are "vice-presidents" to file insider reports.

In March 2002, CSA staff published a staff notice entitled CSA Staff Notice 55-306 *Applications for Relief from the Insider Reporting Requirements by certain Vice-Presidents.* This notice outlined the circumstances in which staff would support applications for relief from the requirements under Canadian securities legislation to file insider reports by persons who are technically insiders by virtue of holding the title of "vice-president" but who do not have access to confidential inside information.

Subsequent to the publication of this notice, the CSA have had the opportunity to consider a number of applications for insider reporting relief by non-executive vice-presidents. The amendments contained in the Proposed Materials are generally consistent with the recommendations contained in the staff notice and with recent exemptive relief orders.

4. Background to the specified disposition amendments

Part 5 of the Current Instrument provides a limited exemption from the insider reporting requirement for an insider who participates in an automatic securities purchase plan. As is made clear by section 4.2 of the Current Policy, the exemption is available only in circumstances in which the insider, by virtue of participation in the plan, is not making discrete investment decisions for acquisitions under such plan. Accordingly, under the Current Instrument, the exemption is not available for

- acquisitions that do involve a discrete investment decision (such as an acquisition of securities pursuant to a "cash-payment option" under a plan), or

- dispositions (regardless of whether the disposition in question involves a discrete investment decision).

We recognize that, under some types of automatic securities purchase plans, certain dispositions of securities may occur in the course of the ordinary operation of the plan, which dispositions may not reflect a discrete investment decision on the part of the participant. For example, an automatic securities purchase plan may involve a convertible or exchangeable security, such as in the following example:

- Step 1 – Grant of a restricted share unit or award (each unit or award representing the right to receive one common share once the unit or award has vested) under an automatic securities purchase plan.

- Step 2 – The restricted share unit or award vests.

- Step 3 – In accordance with the terms of the automatic securities purchase plan, the restricted share units or awards are exchanged for common shares.

Under the above example (and assuming the restricted share unit or award constitutes a security), the use of an exchangeable security may negate the benefit of the insider reporting exemption for acquisitions under an automatic securities purchase plan. This is because, although the acquisition of common shares at step 3 is exempt, the disposition of the restricted share unit or award is not.

Accordingly, we have proposed a change to the exemption in Part 5 of the Current Instrument to allow for certain types of dispositions specified in section 5.4 of the Rule (a specified disposition). A specified disposition includes a disposition that is incidental to the operation of the automatic securities purchase plan and that does not involve a discrete investment decision by the director or senior officer.

A specified disposition will also include a disposition made to satisfy a tax withholding obligation arising from the distribution of securities under an automatic securities purchase plan in certain circumstances. We recognize that, under some types of automatic securities purchase plans, it is not uncommon for an issuer or plan administrator to sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. Generally, the plan participant is required to elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities.

However, where a plan participant elects to dispose of a portion of the securities to be acquired under an automatic securities purchase plan to fund a tax withholding obligation, the plan participant will lose the benefit of the automatic securities purchase plan exemption, since the participant will be required to file a report in respect of the disposition at the time of the acquisition. Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis.

Accordingly, a disposition made to satisfy a tax withholding obligation will be a “specified disposition” if

- the participant has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the automatic securities purchase plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

- the participant has not communicated an election to the reporting issuer or the automatic securities purchase plan administrator and, in accordance with the terms of the automatic securities purchase plan, the reporting issuer or the automatic securities purchase plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

5. Background to the alternative report amendment

Under the Current Instrument, if a director or senior officer relies on the exemption contained in section 5.1 of the Current Instrument (the automatic securities purchase plan exemption), the director or senior officer becomes subject, as a consequence of such reliance, to the alternate reporting requirement under section 5.3 to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

For example, a director may periodically acquire securities under an automatic securities purchase plan throughout a year and rely on the automatic securities purchase plan exemption from the insider reporting requirement for such acquisitions. As a consequence of such reliance, however, the director becomes subject to an alternative reporting requirement which is due within 90 days of the end of that year.

Under the Current Instrument, the director is required to file the alternative report even if, at the time the alternate report becomes due, the individual has ceased to be an insider or is otherwise exempt from the insider reporting requirement generally.

We are of the view that the principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the view that it is not necessary to ensure that the alternative report is filed. Accordingly, we have added an exemption in this regard.

Authority for the Proposed National 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.

The Proposed Instrument is being proposed for implementation in Ontario as a rule. In Ontario, the following provisions of the *Securities Act* (Ontario) (the Ontario Act) provide the Ontario Securities Commission (the Ontario Commission) with authority to adopt the Proposed Instrument as a rule. Paragraph 143(1)10 of the Ontario Act authorizes the Ontario Commission to prescribe requirements in respect of the books, records and other documents required by subsection 19(1) of the Ontario Act to be kept by market participants. Paragraph 143(1)11 of the Ontario Act authorizes the Ontario Commission to make rules regulating the listing or trading of publicly traded securities including requiring reporting of trades and quotations. Paragraph 143(1)30 of the Ontario Act authorizes the Ontario Commission to make rules providing for exemptions from any requirement of the insider trading provisions of the Ontario Act contained in Part XXI of the Ontario Act. Paragraph 143(1)39 of the Ontario Act authorizes the Commission to make rules, among other things, respecting the media, format, preparation, form, content, execution and certification of documents required under the Ontario Act.

Related Instruments

The Proposed Instrument and the Proposed Policy are related to each other as they deal with the same subject matter. In Ontario, the proposed Companion Policy is related to sections 106 to 109 of the *Securities Act* (Ontario) and Part VIII of the Regulation to the Act.

Alternatives Considered

Consideration was given to continuing the current practice of granting the relief set out in the Proposed Instrument on an *ad hoc* basis in response to applications made. The CSA have concluded, however, that this practice is neither efficient nor effective and accordingly the Proposed Instrument would provide relief to certain insiders who fall within the scope of the insider reporting requirement.

Unpublished Materials

In proposing the Proposed Instrument and the Proposed Policy, the CSA have not relied on any significant unpublished study, report, decision or other written materials.

Anticipated Costs and Benefits

The Proposed Instrument will be beneficial to certain market participants who fall within the scope of the insider reporting requirement of Canadian securities legislation as they will in some cases be relieved from reporting and in other cases will have to report less frequently. In addition, those persons or the reporting issuer of which they are an insider will no longer have to incur the expense of applying for relief.

The Canadian securities regulatory authorities are of the view that the benefits of the Proposed Instrument outweigh the costs.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Instrument and the Proposed Policy. Submissions received by August 13, 2004 will be considered. Submissions received after that date may or may not be considered, depending upon the status of the initiative at that time.

Submissions should be sent to all of the Canadian securities regulatory authorities listed below in care of the Ontario Commission, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
The Manitoba Securities Commission
Ontario Securities Commission
L'autorité des marchés financiers
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon
Registrar of Securities, Nunavut

> c/o John Stevenson, Secretary
> Ontario Securities Commission
> 20 Queen Street West
> Suite 800, Box 55
> Toronto, Ontario M5H 3S8

A diskette containing the submissions (in DOS or Windows format, preferably Word) should also be submitted. As securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published, confidentiality of submissions received cannot be maintained.

Questions may be referred to any of:

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Text of Proposed Instrument and Proposed Policy

The text of the Proposed Instrument and the Proposed Policy follows.

May 14, 2004.

Appendix "A"

NATIONAL INSTRUMENT 55-101 EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS

PART 11 DEFINITIONS

1.11.1 Definitions - In this Instrument

"acceptable summary form", in relation to the alternative form of insider report described in section 5.3, means an insider report that discloses as a single transaction, using December 31 of the relevant year as the date of the transaction, and providing an average unit price,

"automatic(a) the total number of securities of the same type acquired under all automatic share purchase plans for the calendar year, and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities for the calendar year.

"automatic securities purchase plan"" means a dividend or interest reinvestment plan, a stock dividend plan or any other plan of a reporting issuer or of a subsidiary of a reporting issuer to facilitate the acquisition of securities of the reporting issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or senior officer of the reporting issuer or of the subsidiary of the reporting issuer and the price payable for the securities are established by written formula or criteria set out in a plan document;

""cash payment option"" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the issuer, securities of the issuer''s own issue, in addition to the securities

(a) purchased using the amount of the dividend or, interest or distribution payable to or for the account of the participant; or

(b) acquired as a stock dividend or other distribution out of earnings or surplus;

""dividend or interest reinvestment plan"" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends or, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer''s own issue;

"investment issuer" in relation to a reporting issuer (the first reporting issuer) means a second reporting issuer

(a) in respect of which the first reporting issuer is an insider; and

(b) that is not a subsidiary of the first reporting issuer.

""issuer event"" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

""lump-sum provision"" means a provision of an automatic securities purchase plan which allows a director or senior officer to acquire securities in consideration of an additional lump-sum payment, including, in the case of a dividend or interest reinvestment plan which is an automatic securities purchase plan, a cash payment option;

""major subsidiary"" means a subsidiary of a reporting issuer if

(a) the assets of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited balance sheet of the reporting issuer that the reporting issuer has filed, are 10 percent or more of the consolidated assets of the reporting issuer reported on that balance sheet, or

(b) the revenues of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited income statement of the reporting issuer that the reporting issuer has filed, are 10 percent or more of the consolidated revenues of the reporting issuer reported on that statement;

""normal course issuer bid"" means

(a) an issuer bid which is made in reliance on the exemption contained in securities legislation from certain requirements relating to issuer bids which is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 percent of the securities of that class issued and outstanding at the commencement of the period, or

(b) a normal course issuer bid as defined in the policies of The Montreal Exchange, The CanadianTSX Venture Exchange or The Toronto Stock Exchange, conducted in accordance with the policies of that exchange; and

"specified disposition of securities" means a disposition or transfer of securities in connection with an automatic securities purchase plan that satisfies the conditions set forth in section 5.4; and

""stock dividend plan"" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings or surplus.

PART 22 EXEMPTION FROM INSIDER REPORTING FOR CERTAIN DIRECTORS AND SENIOR OFFICERS OF CERTAIN SUBSIDIARIES

2.1 **Reporting Exemption (Certain Directors)** - The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

(c) is not an insider of the reporting issuer in a capacity other than as a director of the subsidiary.

2.2 **Reporting Exemption (Certain Directors)** - The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of an investment issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

2.1 **Reporting Exemption** - Subject to section 2.2, the insider reporting requirement does not apply to a director or senior officer of a subsidiary of a reporting issuer in respect of securities of the reporting issuer.

(c) is not an insider of the investment issuer in a capacity other than as a director of the subsidiary.

2.2 **Limitation** - The exemption in section 2.1 is not available if the director or senior officer

2.3 **Reporting Exemption (Certain Senior Officers)** - The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of the reporting issuer if the senior officer

(a) in the ordinary course receives or has

(a) is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

(b) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(c) is not an insider of the reporting issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

(b) is a director or senior officer of a major subsidiary; or

2.4 **Reporting Exemption (Certain Senior Officers)** - The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of an investment issuer if the senior officer

(c) is an insider

(a) is not in charge of a principal business unit, division or function of the reporting issuer in a capacity other than as a director or senior officer of the subsidiary.or a major subsidiary of the reporting issuer;

(b) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(c) is not an insider of the investment issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

PART 33 EXEMPTION FROM INSIDER REPORTING FOR DIRECTORS AND SENIOR OFFICERS OF AFFILIATES OF INSIDERS OF A REPORTING ISSUER

3.13.1 **Québec** - This Part does not apply in Québec.

3.23.2 **Reporting Exemption** - Subject to section 3.3, the insider reporting requirement does not apply to a director or senior officer of an affiliate of an insider of a reporting issuer in respect of securities of the reporting issuer.

3.33.3 **Limitation** - The exemption in section 3.2 is not available if the director or senior officer

(aa) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(bb) is an insider of the reporting issuer in a capacity other than as a director or senior officer of an affiliate of an insider of the reporting issuer; or

(cc) is a director or senior officer of a company that supplies goods or services to the reporting issuer or to a subsidiary of the reporting issuer or has contractual arrangements with the reporting issuer or a subsidiary of the reporting issuer, and the nature and scale of the supply or the contractual arrangements could reasonably be expected to have a significant effect on the market price or value of the securities of the reporting issuer.

PART 4 LISTS OF EXEMPTED INSIDERS4 LISTS OF INSIDERS

4.1 **Lists of Exempted Insiders** - Subject to section 4.2, a reporting issuer shall prepare and maintain

(a) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3, 2.4 and 3.2;

(b) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3, 2.4 and 3.2; and

(c) reasonable policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer.

4.1 Lists of Exempted Insiders

4.2 **Exemption** - A reporting issuer shall maintain a list of all insiders of the reporting issuer exempted from the insider reporting requirement by section 2.1 and shall maintain a list of all insiders of the reporting issuer exempted from the insider reporting requirement by section 3.2.may, as an alternative to complying with the requirement to prepare and maintain the lists described in subparagraphs 4.1(a) and 4.1(b), file an undertaking with the regulator or securities regulatory authority that the reporting issuer will, promptly upon request, make available to the regulator or securities regulatory authority a list containing the information described in subparagraphs 4.1(a) and 4.1(b) as at the time of the request.

PART ~~5~~5 REPORTING OF ACQUISITIONS UNDER AUTOMATIC SECURITIES PURCHASE PLANS

~~5.1~~5.1 **Reporting Exemption** - Subject to section 5.2, the insider reporting requirement does not apply to a director or senior officer of a reporting issuer or of a subsidiary of the reporting issuer for ~~the acquisition of securities of the reporting issuer pursuant to an automatic securities purchase plan, other than the acquisition of securities pursuant to a lump-sum provision of the plan.~~

(a) the acquisition of securities of the reporting issuer pursuant to an automatic securities purchase plan, other than the acquisition of securities pursuant to a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer pursuant to an automatic securities purchase plan.

~~5.2~~5.2 **Limitation**

(1) The exemption in section 5.1 is not available to an insider that beneficially owns, directly or indirectly, voting securities of the reporting issuer, or exercises control or direction over voting securities of the reporting issuer, or a combination of both, carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the reporting issuer.

(2) In Québec, subsection (1) does not apply.

(3) In Québec, the exemption in section 5.1 is not available to a person who exercises control over more than 10 percent of a class of shares of a reporting issuer to which are attached voting rights or an unlimited right to a share of the profits of the reporting issuer and in its assets in case of winding-up.

~~5.3~~5.3 **Alternative Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 5.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider, and each specified disposition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider,

(~~a~~a) for any securities acquired under the automatic securities purchase plan which have been disposed of or transferred, other than securities which have been disposed of or transferred as part of a specified disposition of securities, within the time required by securities legislation for filing a report disclosing the disposition or transfer; and

(~~b~~b) for any securities acquired under the automatic securities purchase plan during a calendar year which have not been disposed of or transferred, and any securities which have been disposed of or transferred as part of a specified disposition of securities, within 90 days of the end of the calendar year.

5.4 **Specified Disposition of Securities** - A disposition or transfer of securities acquired under an automatic securities purchase plan is a specified disposition of securities if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or senior officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the automatic securities purchase plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or senior officer has not communicated an election to the reporting issuer or the automatic securities purchase plan administrator and, in accordance with the terms of the automatic securities purchase plan, the reporting issuer or the automatic securities purchase plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

5.5 **Alternative Reporting Exemption** - If an insider relies on the exemption from the insider reporting requirement contained in section 5.1, and thereby becomes subject to a requirement under section 5.3 to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement), the insider is exempt from the alternative reporting requirement if, at the time the alternative reporting requirement is due,

(a) the insider has ceased to be an insider; or

(b) the insider is entitled to a general exemption from the insider reporting requirements under an exemptive relief order or under an exemption contained in Canadian securities legislation.

PART 66 REPORTING FOR NORMAL COURSE ISSUER BIDS

6.16.1 **Reporting Exemption** - The insider reporting requirement does not apply to an issuer for acquisitions of securities of its own issue by the issuer under a normal course issuer bid.

6.26.2 **Reporting Requirement** - An issuer who relies on the exemption from the insider reporting requirement contained in section 6.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

PART 77 REPORTING FOR CERTAIN ISSUER EVENTS

7.17.1 **Reporting Exemption** - The insider reporting requirement does not apply to an insider of a reporting issuer whose direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer changes as a result of an issuer event of the issuer.

7.27.2 **Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 7.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing all changes in direct or indirect beneficial ownership of, or control or direction over securities by, the insider for securities of the reporting issuer pursuant to an issuer event that have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer.

PART 88 EFFECTIVE DATE

8.18.1 **Effective Date** - This National Instrument comes into force on May 15, 2001.•.

COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101
EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS

PART ~~1~~1 PURPOSE

~~1.1~~ **Purpose** - The purpose of this Companion Policy is to set out the views of the Canadian securities regulatory authorities on various matters relating to National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (the ~~"~~“Instrument~~"~~”).

PART ~~2~~2 DEFINITIONS

~~2.1~~2.1 **Definitions** - The definition of automatic securities purchase plan in the Instrument includes employee share purchase plans, stock dividend plans and dividend or interest reinvestment plans so long as the criteria in the definition are met.

PART ~~3~~3 SCOPE OF EXEMPTIONS

~~3.1~~3.1 **Scope of Exemptions** - The exemptions under the Instrument are only exemptions from the insider reporting requirement and are not exemptions from the provisions in Canadian securities legislation imposing liability for improper insider trading.

PART 44 EXEMPTION FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

4.1 Exemption for Certain Directors

(1) Section 2.1 of the Instrument contains an exemption from the insider reporting requirement for a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

(c) is not an insider of the reporting issuer in a capacity other than as a director of the subsidiary.

(2) The exemption in section 2.1 is not available for directors of a reporting issuer or for directors of a subsidiary of a reporting issuer that is a “major subsidiary” of the reporting issuer. In the case of directors of a reporting issuer, this is because such individuals, by virtue of being directors, routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. In view of the significance of a major subsidiary of a reporting issuer to the reporting issuer, we believe that it is appropriate to treat directors of such subsidiaries in an analogous manner to directors of the reporting issuer.

In the case of directors of subsidiaries of a reporting issuer that are not major subsidiaries of the reporting issuer, although such individuals, by virtue of being directors of the subsidiary, routinely have access to material undisclosed information about the subsidiary, such information generally will not constitute material undisclosed information about the reporting issuer since the subsidiary is not a major subsidiary of the reporting issuer.

(3) Under Canadian securities legislation, if a reporting issuer (the first reporting issuer) is itself an insider of another reporting issuer (the second reporting issuer), directors and senior officers of the first reporting issuer are insiders of the second reporting issuer. In the Instrument, the second reporting issuer is referred to as an “investment issuer”. Section 2.2 of the Instrument contains an exemption for directors of a subsidiary of a reporting issuer that is not a major subsidiary of the reporting issuer in respect of trades in securities of an investment issuer of the reporting issuer, subject to certain conditions.

4.2 Exemption for Certain Senior Officers

(1) Section 2.3 of the Instrument contains an exemption from the insider reporting requirements for senior officers of a reporting issuer or a subsidiary of a reporting issuer who meet the following criteria (the non-executive officer criteria):

(a) the individual is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

(b) the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(c) the individual is not an insider of the reporting issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

(2) The exemption contained in section 2.3 of the Instrument is available to senior officers of a reporting issuer as well as to senior officers of any subsidiary of the reporting issuer, regardless of size, so long as such individuals meet the non-executive officer criteria contained in the exemption. Accordingly the scope of the exemption is somewhat broader than the scope of the exemption contained in section 2.1 for directors of subsidiaries that are not major subsidiaries.

In the case of directors of a reporting issuer, and directors of a major subsidiary of the reporting issuer, we believe that such individuals, by virtue of being directors, routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. Accordingly, the rationale for the exemption from the insider reporting requirement does not exist for these individuals.

In the case of individuals who are "senior officers", however, we accept that many such individuals do not routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. For example, the term "senior officer" generally includes an individual who holds the title of "vice-president". We recognize that, in recent years, it has become industry practice, particularly in the financial services sector, for issuers to grant the title of "vice-president" to certain employees primarily for marketing purposes. In many cases, the title of "vice-president" does not denote a senior officer function, and such individuals do not routinely have access to material undisclosed information prior to general disclosure. Accordingly, we accept that it is not necessary to require all persons who hold the title of "vice-presidents" to file insider reports.

(3) Similar to the exemption contained in section 2.2 of the Instrument, section 2.4 contains an exemption for senior officers of a reporting issuer, as well as to senior officers of a subsidiary of the reporting issuer, in respect of trades in securities of an investment issuer of the reporting issuer, subject to certain conditions.

PART 5 LISTS OF INSIDERS

(1) Section 4.1 of the Instrument requires a reporting issuer to prepare and maintain

(a) a list of insiders of the reporting issuer exempted from the insider reporting requirement by a provision of the Instrument,

(b) a list of insiders of the reporting issuer not exempted by a provision of the Instrument, and

(c) reasonable policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer.

(2) As an alternative to complying with the requirement to prepare and maintain the lists described in subparagraphs (a) and (b) of section 4.1 of the Instrument, a reporting issuer may file an undertaking with the regulator or securities regulatory authority instead. The undertaking requires the reporting issuer to make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in subparagraphs (a) and (b) as at the time of the request. The principal rationale behind the requirement to prepare a list of exempt insiders and a list of non-

exempt insiders is to allow for an independent means to verify whether individuals who are relying on an exemption in fact are entitled to rely on the exemption. If a reporting issuer determines that it is not necessary to prepare and maintain such lists as part of its own policies and procedures relating to the monitoring and restricting the trading activities of its insiders, and is able to prepare and make available such lists promptly upon request, the rationale behind the list requirement would be satisfied.

(3) Subparagraph 4.1(c) of the Instrument requires a reporting issuer to prepare and maintain reasonable written policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer. The Instrument does not seek to prescribe the content of such policies and procedures. It merely requires that such policies and procedures exist and that they be reasonable.

The CSA have articulated in National Policy 51-201 *Disclosure Standards* detailed best practices for issuers for disclosure and information containment and have provided a thorough interpretation of insider trading laws. The CSA recommend that issuers adopt written disclosure policies to assist directors, officers and employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading on inside information. The CSA best practices offer guidance on broad issues including disclosure of material changes, timely disclosure, selective disclosure, materiality, maintenance of confidentiality, rumours and the role of analysts' reports. In addition, guidance is offered on such specifics as responsibility for electronic communications, forward-looking information, news releases, use of the Internet and conference calls. We believe that adopting the CSA best practices as a standard for issuers would assist issuers to ensure that they take all reasonable steps to contain inside information.

PART 6 AUTOMATIC SECURITIES PURCHASE PLANS

4.16.1 Automatic Securities Purchase Plans

(11) Section 5.1 of the Instrument provides an exemption from the insider reporting requirement for acquisitions by a director or senior officer of a reporting issuer or of a subsidiary of a reporting issuer of securities of the reporting issuer pursuant to an automatic securities purchase plan.

(22) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan, a "lump-sum" provision of a share purchase plan, or a similar provision under a stock option plan.

(33) A person relying on this exemption who does not dispose of or transfer securities, other than securities which have been disposed of or transferred as part of a "specified disposition of securities" (discussed below), which were acquired under an automatic securities purchase plan during the year must file a report disclosing all acquisitions under the automatic securities purchase plan annually no later than 90 days after the end of the calendar year. If a person who relies on the exemption does dispose of or transfer securities acquired under an automatic securities purchase plan, other than securities which have been disposed of or transferred as part of a specified disposition of securities, the person must file a report disclosing the acquisition of those securities as contemplated by clause 5.3(a) of the Instrument.

(4)4) Section 5.3 of the Instrument requires an insider who relies on the exemption for securities acquired under an automatic securities purchase plan to file an alternative report for *each* acquisition of securities acquired under the plan. We recognize that, in the case of securities acquired under an automatic securities purchase plan, the time and effort required to report each transaction *as a separate transaction* may outweigh the benefits to the market of having this detailed information. We believe that it is acceptable for insiders to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. Accordingly, in complying with the alternative reporting requirement contained in section 5.3 of the Instrument, an insider may report the acquisitions on either a transaction-by-transaction basis or in "acceptable summary form". The term "acceptable summary form" is defined to mean a report that indicates the total number of securities of the *same type* (e.g. common shares) acquired under all automatic share purchase plans for the calendar year as a single transaction using December 31 of the relevant year as the date of the transaction, and providing an average unit price (if available).

Similarly, an insider may report all specified dispositions of securities in a calendar year in acceptable summary form.

(5) This section does not relieve a director or senior officer from his or her insider reporting obligations in respect of dispositions or transfers of securities., except where the disposition or transfer is a "specified disposition of securities".

6.2 Specified Dispositions of Securities

(51) A disposition or transfer of securities acquired under an automatic securities purchase plan is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and the requirements contained in clauses 5.4(b)(i) or (ii) are satisfied.

(2) In the case of dispositions or transfers described in subsection 5.4(a) of the Instrument, namely a disposition or transfer that is incidental to the operation of the automatic securities purchase plan and that does not involve a discrete investment decision by the director or senior officer, we believe that such dispositions or transfers do not alter the policy rationale for deferred reporting of the acquisitions of securities acquired under an automatic securities purchase plan since such dispositions necessarily do not involve a discrete investment decision on the part of the participant.

(3) The term "discrete investment decision" generally refers to a decision to alter the nature or the extent of a person's investment position in an issuer or other form of investment. The term is best illustrated by way of example. In the case of an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is an insider, we believe that this information should be communicated to the market in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions. A reasonable investor may conclude, for example, that the decision on the part of the insider to exercise the stock options now reflects a belief on the part of the insider that the price of the underlying securities has peaked.

(4) Under some types of automatic securities purchase plans, certain dispositions of securities may occur in the course of the ordinary operation of the plan, and may not reflect a discrete investment decision on the part of the participant. For example, an automatic securities purchase plan may involve a convertible or exchangeable security. The use of an exchangeable security may negate the benefit of the insider reporting exemption for acquisitions under an automatic securities purchase plan because, although the acquisition of securities is exempt, the disposition of the convertible or exchangeable security is not. For this reason, the automatic securities purchase plan exemption will now allow for specified dispositions that meet this criteria in subsection 5.4(a).

(5) The definition of "specified disposition of securities" also contemplates a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an automatic securities purchase plan in certain circumstances. Under some types of automatic securities purchase plans, it is not uncommon for an issuer or plan administrator to sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. Generally, the plan participant is required to elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities. Where a plan participant elects to dispose of a portion of the securities to be acquired under an automatic securities purchase plan to fund a tax withholding obligation, the plan participant will lose the benefit of the automatic securities purchase plan exemption, since the participant will be required to file a report in respect of the disposition at the time of the acquisition.

(6) Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a

disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a "specified disposition" if

(a) the participant has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the automatic securities purchase plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(b) the participant has not communicated an election to the reporting issuer or the automatic securities purchase plan administrator and, in accordance with the terms of the automatic securities purchase plan, the reporting issuer or the automatic securities purchase plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

6.3 Reporting Requirements

(1) A director or senior officer must file a report disclosing dispositions or transfers of securities that are not specified dispositions of securities, and any acquisitions of securities which are not exempt from the insider reporting obligation, within the time periods prescribed by securities legislation. The report for such acquisitions or dispositions need not include acquisitions under an automatic securities purchase plan unless clause 5.3(a) of the Instrument requires disclosure of those acquisitions.

(62) Clause 5.3(a) requires reports to be filed disclosing acquisitions of any securities under an automatic securities purchase plan which are disposed of or transferred, other than pursuant to a specified disposition or transfer of securities. Accordingly, in these circumstances, if securities acquired under an automatic securities purchase plan are disposed of or transferred, other than pursuant to a specified disposition or transfer of securities, and the acquisitions of these securities have not been previously disclosed in a report, the insider report will disclose, for each acquisition of securities which are disposed of or transferred, the particulars relating to the date of acquisition of such securities, the number of securities acquired and the acquisition price of such securities. The report would also disclose, for each disposition or transfer, the related particulars for each such disposition or transfer of securities. It would be prudent practice for the director or senior officer to indicate in such insider report, by way of the "Remarks" section, or otherwise, that he or she participates in an automatic securities purchase plan and that not all purchases under that plan have been included in the report.

(73) The annual report should include, for acquisitions of securities under a plan not previously reported, disclosure for each acquisition, showing the date of acquisition, the number of securities acquired, and the unit price for each acquisition. The annual report should include comparable information for each specified disposition of securities that has not been reported.

(84) The annual report that an insider files for acquisitions and specified dispositions under the automatic securities purchase plan in accordance with clause 5.3(b) of the Instrument will reconcile the acquisitions under the plan with other acquisitions or dispositions by the director or senior officer so that the report provides an accurate listing of the director's or senior officer's total holdings. As required by securities legislation, the report filed by the insider must differentiate between securities held directly and indirectly and must indicate the registered holder if securities are held indirectly. In the case of securities acquired pursuant to a plan, the registered holder is often a trustee or plan administrator.

6.4 Exemption to the Alternative Reporting Requirement

(1) If a director or senior officer relies on the automatic securities purchase plan exemption contained in section 5.1 of the Instrument, the director or senior officer becomes subject, as a consequence of such reliance, to the alternate reporting requirement under section 5.3 to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

(2) The principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the

view that it is not necessary to ensure that the alternative report is filed. Accordingly, section 5.5 of the Instrument contains an exemption in this regard.

~~4.2~~6.5 **Design and Administration of Plans** - Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an automatic securities purchase plan, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner which is consistent with this limitation.

PART ~~5~~7 EXISTING EXEMPTIONS

~~5.1~~7.1 **Existing Exemptions** - Insiders can continue to rely on orders of Canadian securities regulatory authorities, subject to their terms and unless the orders provide otherwise, which exempt certain insiders, on conditions, from all or part of the insider reporting requirement, despite implementation of the Instrument.

6.1.2 Proposed National Instrument 55-101 Exemption from Certain Insider Reporting Requirements

**PROPOSED
NATIONAL INSTRUMENT 55-101
EXEMPTION FROM CERTAIN INSIDER
REPORTING REQUIREMENTS**

PART 1 DEFINITIONS

1.1 Definitions - In this Instrument

"acceptable summary form", in relation to the alternative form of insider report described in section 5.3, means an insider report that discloses as a single transaction, using December 31 of the relevant year as the date of the transaction, and providing an average unit price,

(a) the total number of securities of the same type acquired under all automatic share purchase plans for the calendar year, and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities for the calendar year.

"automatic securities purchase plan" means a dividend or interest reinvestment plan, a stock dividend plan or any other plan of a reporting issuer or of a subsidiary of a reporting issuer to facilitate the acquisition of securities of the reporting issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or senior officer of the reporting issuer or of the subsidiary of the reporting issuer and the price payable for the securities are established by written formula or criteria set out in a plan document;

"cash payment option" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the issuer, securities of the issuer's own issue, in addition to the securities

(a) purchased using the amount of the dividend, interest or distribution payable to or for the account of the participant; or

(b) acquired as a stock dividend or other distribution out of earnings or surplus;

"dividend or interest reinvestment plan" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer's own issue;

"investment issuer" in relation to a reporting issuer (the first reporting issuer) means a second reporting issuer

(a) in respect of which the first reporting issuer is an insider; and

(b) that is not a subsidiary of the first reporting issuer.

"issuer event" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

"lump-sum provision" means a provision of an automatic securities purchase plan which allows a director or senior officer to acquire securities in consideration of an additional lump-sum payment, including, in the case of a dividend or interest reinvestment plan which is an automatic securities purchase plan, a cash payment option;

"major subsidiary" means a subsidiary of a reporting issuer if

(a) the assets of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited balance sheet of the reporting issuer, are 10 percent or more of the consolidated assets of the reporting issuer reported on that balance sheet, or

(b) the revenues of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited income statement of the reporting issuer, are 10 percent or more of the consolidated revenues of the reporting issuer reported on that statement;

"normal course issuer bid" means

(a) an issuer bid which is made in reliance on the exemption contained in securities legislation from certain requirements relating to issuer bids which is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 percent of the securities of that class issued and outstanding at the commencement of the period, or

(b) a normal course issuer bid as defined in the policies of The Montreal Exchange, The TSX Venture Exchange or The Toronto Stock Exchange, conducted in accordance with the policies of that exchange;

"specified disposition of securities" means a disposition or transfer of securities in connection with an automatic securities purchase plan that satisfies the conditions set forth in section 5.4; and

"stock dividend plan" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings or surplus.

PART 2 EXEMPTION FROM INSIDER REPORTING FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

2.1 Reporting Exemption (Certain Directors) - The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

(c) is not an insider of the reporting issuer in a capacity other than as a director of the subsidiary.

2.2 Reporting Exemption (Certain Directors) - The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of an investment issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

(c) is not an insider of the investment issuer in a capacity other than as a director of the subsidiary.

2.3 Reporting Exemption (Certain Senior Officers) - The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of the reporting issuer if the senior officer

(a) is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

(b) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(c) is not an insider of the reporting issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

2.4 Reporting Exemption (Certain Senior Officers) - The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of an investment issuer if the senior officer

(a) is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

(b) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(c) is not an insider of the investment issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

PART 3 EXEMPTION FROM INSIDER REPORTING FOR DIRECTORS AND SENIOR OFFICERS OF AFFILIATES OF INSIDERS OF A REPORTING ISSUER

3.1 **Québec** - This Part does not apply in Québec.

3.2 **Reporting Exemption** - Subject to section 3.3, the insider reporting requirement does not apply to a director or senior officer of an affiliate of an insider of a reporting issuer in respect of securities of the reporting issuer.

3.3 **Limitation** - The exemption in section 3.2 is not available if the director or senior officer

(a) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is an insider of the reporting issuer in a capacity other than as a director or senior officer of an affiliate of an insider of the reporting issuer; or

(c) is a director or senior officer of a company that supplies goods or services to the reporting issuer or to a subsidiary of the reporting issuer or has contractual arrangements with the reporting issuer or a subsidiary of the reporting issuer, and the nature and scale of the supply or the contractual arrangements could reasonably be expected to have a significant effect on the market price or value of the securities of the reporting issuer.

PART 4 LISTS OF INSIDERS

4.1 **Lists of Exempted Insiders** - Subject to section 4.2, a reporting issuer shall prepare and maintain

(a) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3, 2.4 and 3.2;

(b) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3, 2.4 and 3.2; and

(c) reasonable policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer.

4.2 **Exemption** - A reporting issuer may, as an alternative to complying with the requirement to prepare and maintain the lists described in subparagraphs 4.1(a) and 4.1(b), file an undertaking with the regulator or securities regulatory authority that the reporting issuer will, promptly upon request, make available to the regulator or securities regulatory authority a list containing the information described in subparagraphs 4.1(a) and 4.1(b) as at the time of the request.

PART 5 REPORTING OF ACQUISITIONS UNDER AUTOMATIC SECURITIES PURCHASE PLANS

5.1 **Reporting Exemption** - Subject to section 5.2, the insider reporting requirement does not apply to a director or senior officer of a reporting issuer or of a subsidiary of the reporting issuer for

(a) the acquisition of securities of the reporting issuer pursuant to an automatic securities purchase plan, other than the acquisition of securities pursuant to a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer pursuant to an automatic securities purchase plan.

5.2 **Limitation**

(1) The exemption in section 5.1 is not available to an insider that beneficially owns, directly or indirectly, voting securities of the reporting issuer, or exercises control or direction over voting securities of the reporting issuer, or a combination of both, carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the reporting issuer.

(2) In Québec, subsection (1) does not apply.

(3) In Québec, the exemption in section 5.1 is not available to a person who exercises control over more than 10 percent of a class of shares of a reporting issuer to which are attached voting rights or an unlimited right to a share of the profits of the reporting issuer and in its assets in case of winding-up.

5.3 **Alternative Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 5.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider, and each specified disposition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider,

(a) for any securities acquired under the automatic securities purchase plan which have been disposed of or transferred, other than securities which have been disposed of or transferred as part of a specified disposition of securities, within the time required by securities legislation for filing a report disclosing the disposition or transfer; and

(b) for any securities acquired under the automatic securities purchase plan during a calendar year which have not been disposed of or transferred, and any securities which have been disposed of or transferred as part of a specified disposition of securities, within 90 days of the end of the calendar year.

5.4 **Specified Disposition of Securities** - A disposition or transfer of securities acquired under an automatic securities purchase plan is a specified disposition of securities if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or senior officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the automatic securities purchase plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or senior officer has not communicated an election to the reporting issuer or the automatic securities purchase plan administrator and, in accordance with the terms of the automatic securities purchase plan, the reporting issuer or the automatic securities purchase plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

5.5 **Alternative Reporting Exemption** - If an insider relies on the exemption from the insider reporting requirement contained in section 5.1, and thereby becomes subject to a requirement under section 5.3 to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement), the insider is exempt from the alternative reporting requirement if, at the time the alternative reporting requirement is due,

(a) the insider has ceased to be an insider; or

(b) the insider is entitled to a general exemption from the insider reporting requirements under an exemptive relief order or under an exemption contained in Canadian securities legislation.

PART 6 REPORTING FOR NORMAL COURSE ISSUER BIDS

6.1 **Reporting Exemption** - The insider reporting requirement does not apply to an issuer for acquisitions of securities of its own issue by the issuer under a normal course issuer bid.

6.2 **Reporting Requirement** - An issuer who relies on the exemption from the insider reporting requirement contained in section 6.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

PART 7 REPORTING FOR CERTAIN ISSUER EVENTS

7.1 **Reporting Exemption** - The insider reporting requirement does not apply to an insider of a reporting issuer whose direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer changes as a result of an issuer event of the issuer.

7.2 **Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 7.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing all

changes in direct or indirect beneficial ownership of, or control or direction over securities by, the insider for securities of the reporting issuer pursuant to an issuer event that have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer.

PART 8 EFFECTIVE DATE

8.1 **Effective Date** - This National Instrument comes into force on •.

PROPOSED
COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101
EXEMPTION FROM CERTAIN INSIDER
REPORTING REQUIREMENTS

PART 1 PURPOSE

Purpose - The purpose of this Companion Policy is to set out the views of the Canadian securities regulatory authorities on various matters relating to National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (the "Instrument").

PART 2 DEFINITIONS

2.1 **Definitions** - The definition of automatic securities purchase plan in the Instrument includes employee share purchase plans, stock dividend plans and dividend or interest reinvestment plans so long as the criteria in the definition are met.

PART 3 SCOPE OF EXEMPTIONS

3.1 **Scope of Exemptions** - The exemptions under the Instrument are only exemptions from the insider reporting requirement and are not exemptions from the provisions in Canadian securities legislation imposing liability for improper insider trading.

PART 4 EXEMPTION FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

4.1 Exemption for Certain Directors

(1) Section 2.1 of the Instrument contains an exemption from the insider reporting requirement for a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is not a director of a major subsidiary; and

(c) is not an insider of the reporting issuer in a capacity other than as a director of the subsidiary.

(2) The exemption in section 2.1 is not available for directors of a reporting issuer or for directors of a subsidiary of a reporting issuer that is a "major subsidiary" of the reporting issuer. In the case of directors of a reporting issuer, this is because such individuals, by virtue of being directors, routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. In view of the significance of a major subsidiary of a reporting issuer to the reporting issuer, we believe that it is appropriate to treat directors of such subsidiaries in an analogous manner to directors of the reporting issuer.

In the case of directors of subsidiaries of a reporting issuer that are not major subsidiaries of the reporting issuer, although such individuals, by virtue of being directors of the subsidiary, routinely have access to material undisclosed information about the subsidiary, such information generally will not constitute material undisclosed information about the reporting issuer since the subsidiary is not a major subsidiary of the reporting issuer.

(3) Under Canadian securities legislation, if a reporting issuer (the first reporting issuer) is itself an insider of another reporting issuer (the second reporting issuer), directors and senior officers of the first reporting issuer are insiders of the second reporting issuer. In the Instrument, the second reporting issuer is referred to as an "investment issuer". Section 2.2 of the Instrument contains an exemption for directors of a subsidiary of a reporting issuer that is not a major subsidiary of the reporting issuer in respect of trades in securities of an investment issuer of the reporting issuer, subject to certain conditions.

4.2 Exemption for Certain Senior Officers

(1) Section 2.3 of the Instrument contains an exemption from the insider reporting requirements for senior officers of a reporting issuer or a subsidiary of a reporting issuer who meet the following criteria (the non-executive officer criteria):

(a) the individual is not in charge of a principal business unit, division or function of the reporting issuer or a major subsidiary of the reporting issuer;

(b) the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(c) the individual is not an insider of the reporting issuer in a capacity other than as a senior officer of the reporting issuer or a subsidiary of the reporting issuer.

(2) The exemption contained in section 2.3 of the Instrument is available to senior officers of a reporting issuer as well as to senior officers of any subsidiary of the reporting issuer, regardless of size, so long as such individuals meet the non-executive officer criteria contained in the exemption. Accordingly the scope of the exemption is somewhat broader than the scope of the exemption contained in section 2.1 for directors of subsidiaries that are not major subsidiaries.

In the case of directors of a reporting issuer, and directors of a major subsidiary of the reporting issuer, we believe that such individuals, by virtue of being directors, routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. Accordingly, the rationale for the exemption from the insider reporting requirement does not exist for these individuals.

In the case of individuals who are “senior officers”, however, we accept that many such individuals do not routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. For example, the term “senior officer” generally includes an individual who holds the title of “vice-president”. We recognize that, in recent years, it has become industry practice, particularly in the financial services sector, for issuers to grant the title of “vice-president” to certain employees primarily for marketing purposes. In many cases, the title of “vice-president” does not denote a senior officer function, and such individuals do not routinely have access to material undisclosed information prior to general disclosure. Accordingly, we accept that it is not necessary to require all persons who hold the title of “vice-presidents” to file insider reports.

(3) Similar to the exemption contained in section 2.2 of the Instrument, section 2.4 contains an exemption for senior officers of a reporting issuer, as well as to senior officers of a subsidiary of the reporting issuer, in respect of trades in securities of an investment issuer of the reporting issuer, subject to certain conditions.

PART 5 LISTS OF INSIDERS

(1) Section 4.1 of the Instrument requires a reporting issuer to prepare and maintain

(a) a list of insiders of the reporting issuer exempted from the insider reporting requirement by a provision of the Instrument,

(b) a list of insiders of the reporting issuer not exempted by a provision of the Instrument, and

(c) reasonable policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer.

(2) As an alternative to complying with the requirement to prepare and maintain the lists described in subparagraphs (a) and (b) of section 4.1 of the Instrument, a reporting issuer may file an undertaking with the regulator or securities regulatory authority instead. The undertaking requires the reporting issuer to make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in subparagraphs (a) and (b) as at the time of the request. The principal rationale behind the requirement to prepare a list of exempt insiders and a list of non-exempt insiders is to allow for an independent means to verify whether individuals who are relying on an exemption in fact are entitled to rely on the exemption. If a reporting issuer determines that it is not necessary to prepare and maintain such lists as

part of its own policies and procedures relating to the monitoring and restricting the trading activities of its insiders, and is able to prepare and make available such lists promptly upon request, the rationale behind the list requirement would be satisfied.

(3) Subparagraph 4.1(c) of the Instrument requires a reporting issuer to prepare and maintain reasonable written policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer. The Instrument does not seek to prescribe the content of such policies and procedures. It merely requires that such policies and procedures exist and that they be reasonable.

The CSA have articulated in National Policy 51-201 *Disclosure Standards* detailed best practices for issuers for disclosure and information containment and have provided a thorough interpretation of insider trading laws. The CSA recommend that issuers adopt written disclosure policies to assist directors, officers and employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading on inside information. The CSA best practices offer guidance on broad issues including disclosure of material changes, timely disclosure, selective disclosure, materiality, maintenance of confidentiality, rumours and the role of analysts' reports. In addition, guidance is offered on such specifics as responsibility for electronic communications, forward-looking information, news releases, use of the Internet and conference calls. We believe that adopting the CSA best practices as a standard for issuers would assist issuers to ensure that they take all reasonable steps to contain inside information.

PART 6 AUTOMATIC SECURITIES PURCHASE PLANS

6.1 Automatic Securities Purchase Plans

(1) Section 5.1 of the Instrument provides an exemption from the insider reporting requirement for acquisitions by a director or senior officer of a reporting issuer or of a subsidiary of a reporting issuer of securities of the reporting issuer pursuant to an automatic securities purchase plan.

(2) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan, a "lump-sum" provision of a share purchase plan, or a similar provision under a stock option plan.

(3) A person relying on this exemption who does not dispose of or transfer securities, other than securities which have been disposed of or transferred as part of a "specified disposition of securities" (discussed below), which were acquired under an automatic securities purchase plan during the year must file a report disclosing all acquisitions under the automatic securities purchase plan annually no later than 90 days after the end of the calendar year. If a person who relies on the exemption does dispose of or transfer securities acquired under an automatic securities purchase plan, other than securities which have been disposed of or transferred as part of a specified disposition of securities, the person must file a report disclosing the acquisition of those securities as contemplated by clause 5.3(a) of the Instrument.

(4) Section 5.3 of the Instrument requires an insider who relies on the exemption for securities acquired under an automatic securities purchase plan to file an alternative report for *each* acquisition of securities acquired under the plan. We recognize that, in the case of securities acquired under an automatic securities purchase plan, the time and effort required to report each transaction *as a separate transaction* may outweigh the benefits to the market of having this detailed information. We believe that it is acceptable for insiders to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. Accordingly, in complying with the alternative reporting requirement contained in section 5.3 of the Instrument, an insider may report the acquisitions on either a transaction-by-transaction basis or in "acceptable summary form". The term "acceptable summary form" is defined to mean a report that indicates the total number of securities of the *same type* (e.g. common shares) acquired under all automatic share purchase plans for the calendar year as a single transaction using December 31 of the relevant year as the date of the transaction, and providing an average unit price (if available). Similarly, an insider may report all specified dispositions of securities in a calendar year in acceptable summary form.

(5) This section does not relieve a director or senior officer from his or her insider reporting obligations in respect of dispositions or transfers of securities, except where the disposition or transfer is a "specified disposition of securities".

6.2 Specified Dispositions of Securities

(1) A disposition or transfer of securities acquired under an automatic securities purchase plan is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and the requirements contained in clauses 5.4(b)(i) or (ii) are satisfied.

(2) In the case of dispositions or transfers described in subsection 5.4(a) of the Instrument, namely a disposition or transfer that is incidental to the operation of the automatic securities purchase plan and that does not involve a discrete investment decision by the director or senior officer, we believe that such dispositions or transfers do not alter the policy rationale for deferred reporting of the acquisitions of securities acquired under an automatic securities purchase plan since such dispositions necessarily do not involve a discrete investment decision on the part of the participant.

(3) The term "discrete investment decision" generally refers to a decision to alter the nature or the extent of a person's investment position in an issuer or other form of investment. The term is best illustrated by way of example. In the case of an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is an insider, we believe that this information should be communicated to the market in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions. A reasonable investor may conclude, for example, that the decision on the part of the insider to exercise the stock options now reflects a belief on the part of the insider that the price of the underlying securities has peaked.

(4) Under some types of automatic securities purchase plans, certain dispositions of securities may occur in the course of the ordinary operation of the plan, and may not reflect a discrete investment decision on the part of the participant. For example, an automatic securities purchase plan may involve a convertible or exchangeable security. The use of an exchangeable security may negate the benefit of the insider reporting exemption for acquisitions under an automatic securities purchase plan because, although the acquisition of securities is exempt, the disposition of the convertible or exchangeable security is not. For this reason, the automatic securities purchase plan exemption will now allow for specified dispositions that meet this criteria in subsection 5.4(a).

(5) The definition of "specified disposition of securities" also contemplates a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an automatic securities purchase plan in certain circumstances. Under some types of automatic securities purchase plans, it is not uncommon for an issuer or plan administrator to sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. Generally, the plan participant is required to elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities. Where a plan participant elects to dispose of a portion of the securities to be acquired under an automatic securities purchase plan to fund a tax withholding obligation, the plan participant will lose the benefit of the automatic securities purchase plan exemption, since the participant will be required to file a report in respect of the disposition at the time of the acquisition.

(6) Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a "specified disposition" if

(a) the participant has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the automatic securities purchase plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(b) the participant has not communicated an election to the reporting issuer or the automatic securities purchase plan administrator and, in accordance with the terms of the automatic securities purchase plan, the reporting issuer or the automatic securities purchase plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

6.3 Reporting Requirements

(1) A director or senior officer must file a report disclosing dispositions or transfers of securities that are not specified dispositions of securities, and any acquisitions of securities which are not exempt from the insider reporting obligation, within the time periods prescribed by securities legislation. The report for such acquisitions or dispositions need not include acquisitions under an automatic securities purchase plan unless clause 5.3(a) of the Instrument requires disclosure of those acquisitions.

(2) Clause 5.3(a) requires reports to be filed disclosing acquisitions of any securities under an automatic securities purchase plan which are disposed of or transferred, other than pursuant to a specified disposition or transfer of securities. Accordingly, in these circumstances, if securities acquired under an automatic securities purchase plan are disposed of or transferred, other than pursuant to a specified disposition or transfer of securities, and the acquisitions of these securities have not been previously disclosed in a report, the insider report will disclose, for each acquisition of securities which are disposed of or transferred, the particulars relating to the date of acquisition of such securities, the number of securities acquired and the acquisition price of such securities. The report would also disclose, for each disposition or transfer, the related particulars for each such disposition or transfer of securities. It would be prudent practice for the director or senior officer to indicate in such insider report, by way of the "Remarks" section, or otherwise, that he or she participates in an automatic securities purchase plan and that not all purchases under that plan have been included in the report.

(3) The annual report should include, for acquisitions of securities under a plan not previously reported, disclosure for each acquisition, showing the date of acquisition, the number of securities acquired, and the unit price for each acquisition. The annual report should include comparable information for each specified disposition of securities that has not been reported.

(4) The annual report that an insider files for acquisitions and specified dispositions under the automatic securities purchase plan in accordance with clause 5.3(b) of the Instrument will reconcile the acquisitions under the plan with other acquisitions or dispositions by the director or senior officer so that the report provides an accurate listing of the director's or senior officer's total holdings. As required by securities legislation, the report filed by the insider must differentiate between securities held directly and indirectly and must indicate the registered holder if securities are held indirectly. In the case of securities acquired pursuant to a plan, the registered holder is often a trustee or plan administrator.

6.4 Exemption to the Alternative Reporting Requirement

(1) If a director or senior officer relies on the automatic securities purchase plan exemption contained in section 5.1 of the Instrument, the director or senior officer becomes subject, as a consequence of such reliance, to the alternate reporting requirement under section 5.3 to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

(2) The principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the view that it is not necessary to ensure that the alternative report is filed. Accordingly, section 5.5 of the Instrument contains an exemption in this regard.

6.5 Design and Administration of Plans - Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an automatic securities purchase plan, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner which is consistent with this limitation.

PART 7 EXISTING EXEMPTIONS

7.1 **Existing Exemptions** - Insiders can continue to rely on orders of Canadian securities regulatory authorities, subject to their terms and unless the orders provide otherwise, which exempt certain insiders, on conditions, from all or part of the insider reporting requirement, despite implementation of the Instrument.

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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

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
06-Mar-2003	3 Purchasers	6058892 Canada Inc. - Common Shares	549,999.60	1,224,999.00
30-Apr-2003	Scott R. Cruickshank	6058892 Canada Inc. - Common Shares	35,000.00	70,000.00
06-May-2003	875177 Ontario Inc. and Jefferson Mappin	Acuity Pooled High Income Fund - Trust Units	350,000.00	23,564.00
05-May-2003	829805 Ontario Limited	Acuity Pooled High Income Fund - Trust Units	250,000.00	16,905.00
30-Apr-2003	Standard Securites Capital Corporation	AfriOre Limited - Option	0.00	200,000.00
30-Apr-2003	Alternum Capital Management;Alternum Capital Ltdl	Alternum Capital - Global Health Sciences Hedge Fund - Limited Partnership Units	843.50	2.00
30-Apr-2003	8 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	241,016.88	490.00
05-Feb-2003	Kathleen Campbell;Brenda Harvey	Alternum Capital Hedge Facility LP - Units	14,040.55	1,545.00
11-Apr-2003	43 Purchasers	Alternum Capital Hedge Facility LP - Units	1,774,170.68	369,724.00
16-Dec-2002	44 Purchasers	Alternum Capital Hedge Facility LP - Units	880,597.79	86,855.00
31-Jul-2002	45 Purchasers	Alternum Capital Hedge Facility LP - Units	775,973.81	70,692.00
06-Jun-2002	42 Purchasers	Alternum Capital Hedge Facility LP - Units	418,810.08	45,600.00
09-Jan-2003	47 Purchasers	Alternum Capital Hedge Facility LP - Units	505,192.51	50,000.00

05-Feb-2003	Kathleen Campbell;Brenda Harvey	Alternum Capital Hedge Facility LP - Units	6,300.46	543.00
27-Feb-2003	46 Purchasers	Alternum Capital Hedge Facility LP - Units	545,587.28	4,945.00
03-Apr-2003	43 Purchasers	Alternum Capital Hedge Facility LP - Units	1,063,055.88	105,110.00
30-May-2003	46 Purchasers	Alternum Capital Hedge Facility LP - Units	283,092.41	27,704.00
27-May-2003	53 Purchasers	Alternum Capital Hedge Facility LP - Units	2,177,832.70	155,702.00
16-Apr-2003	5 Purchasers	Amerigo Resources Ltd. - Units	89,600.00	560,000.00
02-May-2003	10 Purchasers	Binco Financial Ltd. - Preferred Shares	275,000.00	2,750,000.00
01-May-2003	5 Purchasers	Black Bull Resources Inc. - Units	52,800.00	22,000.00
02-May-2003	3 Purchasers	Blockade Systems Corp. - Convertible Debentures	954,875.00	954,875.00
01-May-2003	Larry Block	Burcon NutraScience Corporation - Units	30,000.00	20,000.00
01-May-2003	Jerold Williamson;Perry English	CanAlaska Ventures Ltd. - Common Shares	5,000.00	5,000.00
05-May-2003	Canamerica Capital Corp. and Steven McCormack	Candor Ventures Corp. - Common Shares	400,000.00	1,000,000.00
08-May-2003	3 Purchasers	CBRE Escrow, Inc. - Notes	1,739,500.00	10.00
30-Apr-2003	3 Purchasers	Chancellor Enterprises Holdings Inc. - Common Shares	25,000.00	250,000.00
25-Mar-2003	7 Purchasers	Clean Air Partners, Inc. - Preferred Shares	504,456.83	984,306.00
02-May-2003	African Gold Group;Inc.	Columbia River Resources Inc. - Common Shares	948,000.00	31,600,000.00
30-Apr-2003	Bryn Styles & Randy Styles;Patrick Edward	Contemporary Investment Corp. - Common Shares	60,000.00	60,000.00
01-Apr-2003 30-Apr-2003	15 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	418,019.07	38,583.00
01-Apr-2003 30-Apr-2003	4 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	250,080.00	25,299.00
01-Apr-2003 30-Apr-2003	Judith M. Forbes	Cranston, Gaskin, O'Reilly & Vernon - Units	10,020.00	942.00
01-Apr-2003 30-Apr-2003	5 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	107,080.03	9,675.00
29-Apr-2003	3 Purchasers	Cruise and Vacation shoppes (Canada) Inc. - Common Shares	25,000.00	7,390.00

28-Apr-2003	4 Purchasers	Dexit Inc. - Common Shares	550,000.00	275,000.00
02-May-2003	63 Purchasers	Discovery Biotech Inc. - Common Shares	299,250.00	997,500.00
02-May-2003	69 Purchasers	Discovery Biotech Inc. - Common Shares	285,300.00	91,100.00
02-May-2003	72 Purchasers	Discovery Biotech Inc. - Common Shares	281,301.00	93,767.00
02-May-2003	10 Purchasers	Discovery Biotech Inc. - Common Shares	151,200.00	50,400.00
02-May-2003	12 Purchasers	Discovery Biotech Inc. - Common Shares	45,000.00	15,000.00
08-May-2003	13 Purchasers	Duncan Park Holdings Corporation - Common Shares	8,000.00	20,000.00
28-Apr-2003	58 Purchasers	EdgeStone Affiliate 2003 Equity Fund II, L.P. - Limited Partnership Units	4,720,000.00	58.00
28-Apr-2003	58 Purchasers	EdgeStone Affiliate 2003 Mezzanine Fund, L.P. - Limited Partnership Interest	5,310,000.00	58.00
28-Apr-2003	58 Purchasers	EdgeStone Affiliate 2003 Venture Fund, L.P. - Limited Partnership Interest	1,770,000.00	58.00
07-May-2003	Ontario Teachers' Pension Plan Board	Endurance Capital Investors, L.P. - Limited Partnership Interest	210,135.00	150,000.00
05-May-2003	14 Purchasers	Euston Capital Corp. - Common Shares	52,398.00	17,466.00
01-May-2003	Bernard Sherman	Excalibur Limited Partnership - Limited Partnership Units	2,838,415.00	12.00
29-Apr-2003	Northern Construction Services	Exploration Tom Inc. - Common Shares	120,000.00	400,000.00
02-May-2003	Charles Kazaz;Stuart MacGregor	Forest & Marine Investments Ltd. - Units	165,750.00	39,000.00
22-Mar-2002	T.R.L. Investments Limited	Formation Capital Corporation - Units	150,000.00	600,000.00
10-Apr-2002	T.R.L. Investments Limited	Formation Capital Corporation - Units	50,000.00	200,000.00
20-Jun-2002	6 Purchasers	Formation Capital Corporation - Units	1,200,000.00	4,800,000.00
09-Apr-2003	N/A	Galileo Focused Business Income Trust Fund - Units	181,203.00	18,349.00
30-Apr-2003	3 Purchasers	Gilder Enterprises, Inc. - Common Shares	1,027.00	3,000.00

02-May-2003	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,918.00
29-Apr-2003	7 Purchasers	IMA Exploration Inc. - Units	364,500.00	4,050,000.00
05-May-2003 07-May-2003	4 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	18,000.00	8,000.00
30-Apr-2003	Canada Pension Plan Investment Board	Kensington Co-Investment Fund-A, L.P. - Limited Partnership Units	50,000,000.00	5,000.00
30-Apr-2003	Canada Pension Plan Investment Board	Kensington Co-Investment Fund-B, L.P. - Limited Partnership Units	15,000,000.00	1,500.00
30-Apr-2003	Canada Pension Plan Investment Board	Kensington Fund of Funds. L.P. - Limited Partnership Units	50,000,000.00	5,000.00
30-Apr-2003	Donald McQuaig and W&J Black	Kingwest Avenue Portfolio - Units	210,000.00	11,730.00
30-Apr-2003	Medical Futures Inc.	Medsurge Medical Produts Corp - Special Warrants	50,000.00	200,000.00
06-May-2003	The Maritime Life Assurance Company	Merrill Lynch Financial Assets Inc. - Certificate	10,000,000.00	247,610,420.00
30-Apr-2003	5 Purchasers	Morgan Stanley - Notes	5,800,400.00	4,000.00
03-Dec-2002 13-Dec-2002	9 Purchasers	New Star Capital Guaranteed Hedge Fund Limited - Shares	1,798,030.00	11,009.00
21-Feb-2003	Bay Street Funding Trust;Nissan Motor Acceptance	NIF-T - Notes	211,557,758.52	2.00
02-May-2003	30 Purchasers	OMERS Realty Corporation - Debentures	330,996,690.00	331,000,000.00
25-Apr-2003	Henry Merkx and Highmark Landscaping	Oxford Software Developers Inc. - Common Shares	22,000.00	22,000.00
30-Apr-2003	Tor Williams	Pacific Tiger Energy Inc. - Convertible Debentures	52,500.00	525,000.00
02-May-2003	4 Purchasers	Plazacorp Partners I Limited Partnership - Limited Partnership Units	750,000.00	7,500.00
01-May-2003	Northwater Market-Neutral Trust	Quantitative Trading Strategies I, Ltd. - Common Shares	0.00	900,000.00
31-Mar-2002	Absolute Return Concepts Fund	RBC Global Investment Management Inc. - Units	240,000.00	2,267.00
02-May-2003	28 Purchasers	Red Media Corp. - Special Warrants	253,000.00	1,265,000.00
30-Apr-2003	5 Purchasers	Rock Creek Resources Ltd. - Shares	353,280.00	220,800.00

30-Apr-2003	Allen Martens;Edwin D. Martens	Safefreight Technology Ltd. - Common Shares	50,000.00	31,250.00
01-May-2003	Anthony Grasyson and Grey Morgan	Second World Trader Inc. - Contracts for Differences	15,155.00	126.00
01-May-2003	2 Purchasers	Second World Trader Inc. - Units	20,280.00	197.00
30-Apr-2003	Credit Union Central of Ontario Limited	SMART Trust - Notes	81,873.00	1.00
01-May-2003	Peter J. M. Bloemen	Stacey Investment Limited Partnership - Limited Partnership Units	50,103.00	2,141.00
30-Apr-2003	4 Purchasers	TD Harbour Balanced Fund - Trust Units	5,296,833.60	53,895,335.00
05-Apr-2003	VentureLink Brighter Future	The Toronto-Dominion Bank - Notes	6,500,000.00	2.00
03-Jan-2003	Caricola Ltd.	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
15-Jan-2000	Gordon Tamblyn	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
28-Jan-2000	The ADM Private Pool Fund II	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
01-May-2000	4 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	375,000.00	3,750.00
01-Jun-2000	Caricola Ltd.;valerie Cole	Timbercreek Investments Inc. - Convertible Debentures	75,000.00	750.00
03-Aug-2000	Caricola Ltd.	Timbercreek Investments Inc. - Convertible Debentures	50,000.00	500.00
01-Sep-2000	831857 Ontario Inc.	Timbercreek Investments Inc. - Convertible Debentures	250,000.00	250.00
25-Sep-2000	13 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	710,000.00	7,100.00
01-Nov-2000	FAS-Ontario Inc.;Finamoront	Timbercreek Investments Inc. - Convertible Debentures	350,000.00	3,500.00
10-Nov-2000	Caricola Ltd.;83857 Ontario Inc.	Timbercreek Investments Inc. - Convertible Debentures	975,000.00	9,750.00
01-Jun-2001	Finamoront	Timbercreek Investments Inc. - Convertible Debentures	52,000.00	520.00
01-May-2001	4 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	125,000.00	1,250.00
01-Jul-2001	Finamoront;G. Geoffrey MacDonald	Timbercreek Investments Inc. - Convertible Debentures	157,200.00	1,572.00
18-Jul-2001	3 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	325,000.00	3,250.00

23-Jul-2001	FAS-Ontario Inc.	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
15-Nov-2001	3 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	140,000.00	1,400.00
17-Dec-2001	Finamoront	Timbercreek Investments Inc. - Convertible Debentures	200,000.00	2,000.00
18-Dec-2001	FAS-Ontario Inc;Bomdal	Timbercreek Investments Inc. - Convertible Debentures	300,000.00	3,000.00
31-Dec-2001	Michela Astuto	Timbercreek Investments Inc. - Convertible Debentures	400,000.00	4,000.00
11-Jan-2002	Leslie Holding	Timbercreek Investments Inc. - Convertible Debentures	300,000.00	3,000.00
09-Apr-2002	Caricola Ltd.	Timbercreek Investments Inc. - Convertible Debentures	275,000.00	2,750.00
10-Apr-2002	8 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	380,000.00	3,800.00
15-Apr-2002	Serafina Parmegiani	Timbercreek Investments Inc. - Convertible Debentures	100,000.00	1,000.00
19-Apr-2003	FAS-Ontario	Timbercreek Investments Inc. - Convertible Debentures	250,000.00	2,500.00
22-Apr-2003	Finamoront	Timbercreek Investments Inc. - Convertible Debentures	200,000.00	2,000.00
24-Apr-2003	8 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	245,000.00	2,450.00
07-May-2002	3 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	100,000.00	1,000.00
04-Jun-2002	Fleurette Scott	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
06-Jun-2002	Bruce Harrop;Keith G. Graham	Timbercreek Investments Inc. - Convertible Debentures	65,103.50	623.00
12-Jun-2002	1091121 Ontario Ltd.	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	150.00
18-Jun-2002	Marcello Ricoveri;Cristina Ricoveri	Timbercreek Investments Inc. - Convertible Debentures	300,000.00	15,000.00
20-Jun-2002	Claire Legget	Timbercreek Investments Inc. - Convertible Debentures	20,000.00	200.00
01-Jul-2002	Michela Astuto	Timbercreek Investments Inc. - Convertible Debentures	17,500.00	175.00
01-Aug-2002	7 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
16-Aug-2002	Kack Goldberg;Katrin Holmberg	Timbercreek Investments Inc. - Convertible Debentures	44,935.00	430.00

01-Sep-2002	FAS-Ontario Inc.	Timbercreek Investments Inc. - Convertible Debentures	300,000.00	3,000.00
26-Sep-2002	Victor Kurdyak	Timbercreek Investments Inc. - Convertible Debentures	100,000.00	1,000.00
11-Oct-2002	Dewatville Holding;Joan Noxon	Timbercreek Investments Inc. - Convertible Debentures	45,000.00	450.00
16-Oct-2003	Robert Stugess	Timbercreek Investments Inc. - Convertible Debentures	35,007.50	335.00
18-Oct-2002	Fleurette Scott	Timbercreek Investments Inc. - Convertible Debentures	50,000.00	500.00
25-Oct-2002	Kathryn Holden	Timbercreek Investments Inc. - Convertible Debentures	25,000.00	250.00
25-Oct-2002	Leon Yeshin;Jane L. Logie	Timbercreek Investments Inc. - Convertible Debentures	54,967.00	526.00
20-Nov-2002	3 Purchasers	Timbercreek Investments Inc. - Convertible Debentures	150,000.00	1,500.00
31-Dec-2002	Mechela Astuto	Timbercreek Investments Inc. - Convertible Debentures	19,000.00	190.00
22-Nov-2002	Jack Goldberg;Tracy Martin	Timbercreek Investments Inc. - Preferred Shares	44,934.50	430.00
05-Dec-2002	James Syed Arshad	Timbercreek Investments Inc. - Preferred Shares	25,080.00	240.00
12-Dec-2002	Susan Griggs;Linda Jones	Timbercreek Investments Inc. - Preferred Shares	74,926.50	717.00
31-Dec-2002	3 Purchasers	Timbercreek Investments Inc. - Preferred Shares	219,868.00	2,104.00
23-Jul-2002	3 Purchasers	Timbercreek Investments Inc. - Shares	85,167.50	815.00
15-Sep-2002	Catherine McGee	Timbercreek Investments Inc. - Shares	49,951.00	478.00
14-Nov-2002	Valerie Cole	Timbercreek Investments Inc. - Shares	26,125.00	250.00
07-May-2003	Columbia Management Advisors	UnumProvident Corporation - Common Shares	79,387.50	7,300.00
30-Apr-2003	Marlene Irwin	Vertex Fund - Trust Units	25,000.00	1,012.00
02-May-2003	John McCluskey	Victoria Resource Corporation - Units	2,500.00	25,000.00
10-Apr-2003	LH Enterprises Company Inc.	X-TAL MINERALS CORP. - Units	17,500.00	50,000.00
02-May-2003	Working Ventures Canadian Fund Inc.;Working Ventures Opportunity Fund Inc.	Xillix Ltd. - Units	999,999.83	4,651,162.00

28-Apr-2003	795233 Ontario Ltd.	Xplore Technologies Corp. - Debentures	73,000.00	1.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Adherex Technologies Inc.
Type and Date:
Preliminary Short Form Prospectus dated May 5, 2004
Receipted on May 5, 2004
Offering Price and Description:
$4,187,000.00 - 7,900,000 Units Price: $0.53 per Unit
Underwriter(s) or Distributor(s):
Dlouhy Merchant Group Inc.
Promoter(s):
-
Project #638649

Issuer Name:
Allied Properties Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated May 10, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$32,190,000.00 - 2,900,000 Units Price $11.10 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #640482

Issuer Name:
Avenir Diversified Income Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated May 6, 2004
Mutual Reliance Review System Receipt dated May 7, 2004
Offering Price and Description:
$25,000,000 (Maximum Offering); $15,000,000 (Minimum Offering) A Maximum of * and a Minimum of *Trust Units Price: $ * per Trust Unit
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Acumen Capital Finance Partners Limited
GMP Securities Ltd.
Promoter(s):
William M. Gallacher
Gary H. Dundas
Project #639596

Issuer Name:
BCE Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated May 10, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$355,896,617.00 - 65,906,781 Subscription Receipts, each representing the right to receive one Common Share of BCE Emergis Inc. Price: $5.40 per Subscription Receipt
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #640455

Issuer Name:
British Columbia Ferry Services Inc.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 7, 2004
Offering Price and Description:
$ * - * % Senior Secured Bonds, Series 04-1, due * , 2014
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #633593

Issuer Name:
Labopharm Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated May 10, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$30,000,000.00 - 6,122,449 Common Shares Price: $4.90 per Common Share
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
Promoter(s):
-
Project #640633

Issuer Name:
Maestral Quebec Growth Fund Inc.
Maestral Canadian Dividend Fund
NORTHWEST SPECIALTY INNOVATIONS FUND
Maestral Global Equity Fund
Maestral American Equity Fund
Maestral Canadian Bond Fund
Maestral Money Market Fund
NORTHWEST RSP FOREIGN EQUITY FUND
NORTHWEST FOREIGN EQUITY FUND
NORTHWEST SPECIALTY HIGH YIELD BOND FUND
NORTHWEST CANADIAN EQUITY FUND
NORTHWEST BALANCED FUND
NORTHWEST SPECIALTY EQUITY FUND
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated April 30, 2004
Mutual Reliance Review System Receipt dated May 5, 2004
Offering Price and Description:
Series A, F and I Units
Underwriter(s) or Distributor(s):
Northwest Mutual Funds Inc.
Desjardins Trust Inc.
Desjardins Trust
Northwest Mutual Funds Inc.
Desjardins Trust Investment Services Inc.
Promoter(s):
-
Project #637463

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated May 10, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$580,099,000 (Approximate) Commercial Mortgage Pass-Through Certificates, Series 2004-Canada 12
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #640307

Issuer Name:
Norrep Performance 2004 Flow-Through Limited Partnership
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$60,000,000 (Maximum Offering); $10,000,000 (Minimum Offering) A maximum of 6,000,000 and a minimum of 1,000,000 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.
National Bank Financial Inc.
TD Securities Inc.
First Associates Investments Inc.
Bieber Securities Inc.
Desjardins Securities Inc.
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Wolverton Securities Ltd.
Promoter(s):
Hesperian Capital Management Ltd.
Project #638223

Issuer Name:
Phillips, Hager & North Canadian Equity Pension Trust
Principal Regulator - British Columbia
Type and Date:
Preliminary Simplified Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
(Series A and O Units)
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investments Funds Ltd.
Phillips, Hager & North Investment Management Ltd.
Promoter(s):
-
Project #640197

Issuer Name:
Phillips, Hager & North Canadian Income Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Simplified Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
Series A and O Units
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investments Funds Ltd.
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
-
Project #640230

Issuer Name:
Precision Drilling Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated May 10, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
US$1,000,000,000.00 - Debt Securities Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #640257

Issuer Name:
Quinsam Capital Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated April 30, 2004
Mutual Reliance Review System Receipt dated May 11, 2004
Offering Price and Description:
Minimum Offering: $1,000,000 or 10,000,000 Common Shares
Maximum Offering: $1,750,000 or 17,500,000 Common Shares
Price: $0.10 per share
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
Promoter(s):
-
Project #637658

Issuer Name:
SMTC Manufacturing Corporation of Canada
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 30, 2004
Mutual Reliance Review System Receipt dated May 5, 2004
Offering Price and Description:
$40,020,000.00 - 33,350,000 Units (Each Unit consisting of one Exchangeable Share and one-half of one Warrant) To Be Issued upon the exercise of 33,350,000 Special Warrants
Underwriter(s) or Distributor(s):
Orion Securities Inc.
CIBC World Markets Inc.
GMP Securities Limited
RBC Dominion Securities Inc.
Promoter(s):
-
Project #638631

Issuer Name:
TGS NORTH AMERICAN REAL ESTATE INVESTMENT TRUST
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 6, 2004
Mutual Reliance Review System Receipt dated May 6, 2004
Offering Price and Description:
$50,001,250.00 - 5,525,000 Units Price: $9.05 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
National Bank Financial Inc.
CIBC World Markets Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Promoter(s):
-
Project #639429

Issuer Name:
Ag Growth Income Fund
Principal Regulator - Manitoba
Type and Date:
Final Prospectus dated May 5, 2004
Mutual Reliance Review System Receipt dated May 5, 2004
Offering Price and Description:
$69,040,000.00 - 6,904,000 Trust Units PRICE: $10.00 per Trust Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
Tricor Pacific Capital Partners (Fund II) Limited Partnership
Project #625441

Issuer Name:
Canwel Building Materials Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated May 4, 2004
Mutual Reliance Review System Receipt dated May 5, 2004
Offering Price and Description:
$43,503,000.00 - 5,118,000 Common Shares Price: $8.50 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
CIBC World Markets Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
First Associates Investments Inc.
Promoter(s):
The Futura Corporation
Project #626444

Issuer Name:
Envoy Communications Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 6, 2004
Mutual Reliance Review System Receipt dated May 6, 2004
Offering Price and Description:
$15,015,000.00 - 14,300,000 Units PRICE: $1.05 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #634298

Issuer Name:
Frontiers Canadian Equity Pool
Frontiers U.S. Equity Pool
Frontiers International Equity Pool
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 29, 2004 to the Final Simplified Prospectuses and Annual Information Forms dated January 5, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CIBC Asset Management Inc.
Project #597645

Issuer Name:
Imperial Oil Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated May 6, 2004
Mutual Reliance Review System Receipt dated May 6, 2004
Offering Price and Description:
$1,000,000,000.00 - Medium Term Notes (Unsecured)
Underwriter(s) or Distributor(s):
TD Securities Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #633914

Issuer Name:
Imperial Money Market Pool
Imperial Short-Term Bond Pool
Imperial Canadian Bond Pool
Imperial Canadian Income Trust Pool
Imperial International Bond Pool
Imperial Canadian Dividend Income Pool
Imperial Canadian Dividend Pool
Imperial Canadian Equity Pool
Imperial Registered U.S. Equity Index Pool
Imperial U.S. Equity Pool
Imperial Registered International Equity Index Pool
Imperial International Equity Pool
Imperial Overseas Equity Pool
Imperial Emerging Economies Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 10, 2004
Mutual Reliance Review System Receipt dated May 11, 2004
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #618801

Issuer Name:
MineralFields 2004 Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 11, 2004
Offering Price and Description:
Maximum - 1,500,000 Limited Partnership Units @ $10 Per Unit = $15,000,000
Minimum - 150,000 Limited Partnership Units @ $10 Per Unit = $1,500,000
Underwriter(s) or Distributor(s):
Queensbury Securities Inc.
Haywood Securities Inc.
Promoter(s):
MineralFields 2004 Inc.
Project #623749

Issuer Name:
Northbridge Financial Corporation
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
$153,600,000.00 - 6,000,000 Common Shares Price: $25.60 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
GMP Securities Ltd.
Sprott Securities Inc.
Promoter(s):
Fairfax Financial Holdings Limited
Project #632556

Issuer Name:
Ontario Teachers' Group Fixed Value Fund
Ontario Teachers' Group Mortgage Fund
Ontario Teachers' Group Diversified Fund
Ontario Teachers' Group Growth Fund
Ontario Teachers' Group Balanced Fund
Ontario Teachers' Group Dividend Fund
Ontario Teachers' Group Global Value Fund
Type and Date:
Amendment #1 dated May 3, 2004 to Final Simplified Prospectuses dated June 20, 2003
Receipted on May 6, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
OTG Financial Inc.
OTG Financial Inc.
Promoter(s):
OTG Financial Inc.
Project #543309

Issuer Name:
Paramount Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 11, 2004
Mutual Reliance Review System Receipt dated May 11, 2004
Offering Price and Description:
$40,320,000.00 - 3,600,000 Trust Units Price: $11.20 per Trust Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
TD Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
FirstEnergy Capital Corp.
Peters & Co. Limited
Promoter(s):
-
Project #637863

Issuer Name:
Renaissance International Growth Fund
Renaissance Global Growth Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 29, 2004 to Final Simplified Prospectuses and Annual Information Forms dated November 17, 2003
Mutual Reliance Review System Receipt dated May 10, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CIBC Asset Management Inc.
Project #579043

Issuer Name:
Sino-Forest Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 7, 2004
Mutual Reliance Review System Receipt dated May 7, 2004
Offering Price and Description:
35,000,000 Class A Subordinate-Voting Shares PRICE CDN$2.65 A CLASS A SHARE
Underwriter(s) or Distributor(s):
Morgan Stanley Canada Limited
Promoter(s):
-
Project #624131

Issuer Name:
Tradex Bond Fund
Tradex Equity Fund Limited
Tradex Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 11, 2004
Mutual Reliance Review System Receipt dated May 11, 2004
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Tradex Management Inc.
Tradex Management Inc.
Promoter(s):
Tradex Equity Fund Limited
Project #628355

Issuer Name:
MFC Split Corp.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated October 16th, 2003
Withdrawn on May 6th, 2004
Offering Price and Description:
$ * - * Capital Shares
$ * - *Preferred Shares
Price: $ * per Capital Share and $ * per Preferred Shares
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #580608

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Correction to Registrant Table Published in OSCB 2718, April 30, 2004:			
Amalgamation	Fidelity Investments Canada Limited and Fidelity Intermediary Services Company Limited and Fidelity Intermediary Securities Company Limited To Form: Fidelity Investments Canada Limited		December 31, 2004
New Registration	Schwab Capital Markets L.P.	International Dealer	May 6, 2004
New Registration	Loomis, Sayles & Company, L.P.	International Adviser (Investment Counsel and Portfolio Manager)	May 11, 2004
New Registration	RWS CAPITAL SERVICES INC.	Limited Market Dealer	May 11, 2004
New Registration	Liquidnet Canada Inc.	Investment Dealer	May 7, 2004
New Registration	Liberty Wealth Management Inc.	Investment Dealer	May 7, 2004
New Registration	Royal Alexandra Theatrical Ventures Inc.	Limited Market Dealer	May 6, 2004
Name Change	From: J.R. Senecal & Associates Investment Counsel Corp. To: Senecal Investment Counsel Inc.	Investment Counsel & Portfolio Manager	May 1, 2004
Registration Category Change	Proxima Capital Management Limited	From: Investment Counsel and Portfolio Manager To: Limited Market Dealer and Investment Counsel and Portfolio Manager	May 5, 2004
Name Change	From: Dresdner RCM Global Investors LLC To: RCM Capital Management LLC	International Advisor (Investment Counsel & Portfolio Manager)	January 1, 2004
Name Change	From: Five Continents Investments Limited To: FARADAY FINANCIAL CORPORATION	Limited Market Dealer and Investment Counsel and Portfolio Manager	April 30, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA By-law 20, Corollary By-laws and Rules of Practice and Procedure - Summary of Comments During Public Comment Period

BY-LAW 20, COROLLARY BY-LAWS AND RULES OF PRACTICE AND PROCEDURE

SUMMARY OF COMMENTS DURING PUBLIC COMMENT PERIOD

On November 7, 2003, the Ontario Securities Commission published for public comment proposed amendments to IDA By-law 20, Corollary By-law Amendments and the Rules of Practice and Procedure. (the "**Proposed By-laws and Rules**"). The IDA Proposed By-laws and Rules were published in Volume 26, Issue 45 of the Ontario Securities Commission Bulletin, dated November 7, 2003.

The public comment period ended on January 9, 2003.

Two submissions were received during the public comment period from the following IDA Member Firms:

1. BMO Nesbitt Burns; and

2. a group of Member Firms comprised of Scotia Capital Inc., RBC Dominion Securities, HSBC Securities (Canada) Inc. and TD Waterhouse

The following is a summary of the material comments received during the public comment period and the IDA's response to the comments.

By-law 20

Defining The Terms "Due Diligence", "Burden Of Proof" And "Fiduciary Duty"

The terms "due diligence", "burden of proof" and "fiduciary duty" should be defined and included in the definition section of By-law 20.

IDA Response

It would be inappropriate to define such terms in *By-law 20.* Law is a living tree and subject to changes that cannot and should not be fixed in time. These terms are evolving concepts in law which are dependent upon their development in caselaw and the context and facts raised in a particular matter. In many cases, the interpretation placed on the concepts will go directly to the ultimate issue to be determined by the adjudicator, therefore fixing definitions could arguably be seen as constraining the discretion of the decision-maker.

Admissibility Of Evidence

To ensure principles of natural justice and fairness, there should be a minimum standard or test of admissibility based on relevance and probative value versus prejudicial effect included in By-law 20.2(2) and Rule 1.5(2) of the Rules of Practice and Procedure.

IDA Response

By-law 20.2(2) and Rule 1.5(2) of the Rules of Practice and Procedure were amended to include a relevance test such that the Panels can admit anything that is relevant to the proceedings. This re-draft follows the wording of UMIR Policy 10.8 1.2(2) and is in keeping with principles of administrative law.

Strict rules of evidence do not apply before administrative tribunals. The Panels should not be bound by legal or technical rules of evidence. Nothing in the rule prevents a respondent from objecting to the introduction of evidence on the basis that it has no probative value or is prejudicial, nor does it require a Hearing Panel to accept any such evidence.

Jurisdiction Of IDA Over Former Members, Approved Persons And Employees

The IDA's jurisdiction over former approved persons and Members for a period of five years should be changed so as to be consistent with amendments to the Ontario *Limitations Act* which result in the limitation period for civil claims being reduced to a period of two years. Exposure to regulatory liability should be relatively consistent with, and should not extend beyond, exposure to civil liability for the same alleged misconduct. There is little interest in pursuing regulatory action years after the alleged misconduct and after the related civil matters have been concluded. It is also questioned whether the Association has the power to regulate former Members or employees *(Chalmers).*

IDA Response

Exposure to civil liability and the taking of a regulatory action serve two distinctively different purposes. The divergent purposes of civil and regulatory systems do not support the need or justification for consistent limitation periods. It would be contrary to the public interest and the mandate of the Association to limit the current jurisdiction to take action against those believed to have committed regulatory or securities law violations while a Member or registrant of the Association. The fact that there is a public interest in extending jurisdiction of regulators over former members is supported by the proposed Uniform Securities Legislation ("USL") which follows section 63(2) and (3) of the Alberta Securities Act and also extends jurisdiction over

former employees. Furthermore, the draft USL does not limit the jurisdiction to a certain time period but rather continues the jurisdiction in perpetuity. Continuing jurisdiction over former members is common in the regulatory context *(a list of examples were provided in the formal response to this comment).*

The five year period relied upon by the Association has been and is the status quo. In Maurice v. Priel, [1989] 3 W.W.R. 673, the Supreme court of Canada recognized that abuses could occur if persons were allowed to resign to avoid disciplinary proceedings and that it would be against public policy to allow that to occur. It is foreseeable, that in the most egregious of cases a person could avoid disciplinary action by simply resigning as soon as he/she is made aware of an allegation. Egregious cases are often complex and in many instances the two year period proposed in the comment could pass before the evidence is collected. The result would be that individuals who commit the most serious, egregious or complex type of activity might avoid disciplinary action. That is not in the interest of the public or the membership. A similar reasoning justified the elimination of the two year limitation period formerly found in the Ontario Securities Act.

Even if the Association were to accept the notion that regulatory limitation periods ought to reflect civil limitation periods it should be noted that the limitation period suggested in the comment only refers to the general limitation period in the Ontario Limitations Act, whereas the Association is a national organization. Furthermore, there are exceptions to the general two-year Ontario limitation period.

The comment questions the Associations' authority to regulate former members or employees. By-law 20.7(1) does not purport to regulate former employees, it only seeks to regulate former approved persons or members. The IDA's jurisdiction over former members and registrants stems from *By-law 20.21* and *s. 6 of the IDA Constitution.* The jurisdiction over former members and registrants is not a new rule, but rather, a re-iteration of the existing rule found at *By-law 20.21* which is similar to the former *s.17.19 (1) of the Toronto Stock Exchange By-laws. S. 6 of the IDA Constitution* was amended subsequent to the *Chalmers* decision to provide the IDA with clear authority to enact by-laws that deal with penalties against former members. The Court in *Derivative Services Inc.* affirmed the IDA's authority to investigate former members for business while a member, thus the rule would likely not be found to be ultra-vires as was the case in *Chalmers.*

Compliance Experience Qualification Requirement For Industry Members of Hearing Panels

There should be a specific requirement that industry members serving on enforcement Hearing Panels must possess significant compliance experience attained at a Member firm. The participation of active industry members on Hearing Panels may be preferable to retired industry members.

IDA Response

The function of considering persons for nomination to Hearing Committees belongs to the Nominating Committee and is ultimately a decision to be made by the District Council. The creation of a Nominating Committee to consider the "suitability, fitness and qualifications" of potential Hearing Committee Members will promote greater thought and deliberation prior to appointment of Hearing Committee members. A mandatory requirement for compliance experience would preclude the ability of experienced and well-qualified individuals to sit on Hearing Panels. The same logic would apply to the issue of practicing versus retired industry members. Retired persons have broad experience in the industry and are more available and willing to sit on lengthy matters.

Policy Statement Regarding Purpose of Enforcement Hearings

There should be a general Policy Statement in the By-law and the Rules of Practice articulating that the purpose of an enforcement hearing is to enable a Hearing Panel to make a fair determination, based on clear and cogent evidence. Not all complaints are meritorious, nor do they all fall within the "public interest" to prosecute. Complainants frequently evoke the enforcement process with a view to advancing their own parallel civil claim. Enforcement Staff should not be perceived as, advocates for Complainants.

IDA Response

Policy statements are currently set out in the mission of the IDA, the mandate of the Member Regulation Division and the Vision statement of IDA Enforcement. The Disciplinary panel process is a quasi-judicial process that by its very nature is subject to the principles of natural justice and fairness. Being a quasi-judicial process it is incumbent upon the panels to respect the law and the principles of law including the making of fair determinations, based on evidence and to act judiciously. Thus, it is inappropriate to include a Policy Statement. Compliance with the law by Hearing Panels should be inherent and obvious. Where the panel makes an error or fails to act judiciously, the appropriate response is to invoke the appeal process.

IDA Authority To Enforce Compliance Of Securities-related Statutes

The By-laws purport to provide the Association with the power to enforce compliance and impose penalties with respect to *all federal or provincial statutes, regulations, rulings or policies relating to trading or advising in respect of securities*. By doing so, the Association may be viewed as usurping the jurisdiction of a court or a statutory body, thereby evoking the application of various statutory rights and protections, including the *Statutory Powers and Procedures Act*, the *Evidence Act* and/or the *Charter of Rights*. It is questioned whether the Association can require through regulation and/or as a condition of membership that Members waive their rights and protections. If the same activities were prosecuted by the Commission or RS Inc., the SPPA would apply and if prosecuted criminally,

the Charter and Evidence Act would apply. It is recommended that the scope of enforcement hearings be limited to alleged contraventions of Association By-laws. Alternatively, the *SPPA* at a minimum, and the *Evidence Act* and the *Charter,* should apply to the enforcement process.

IDA Response

The wording is found in the existing *By-law 20.* The provision does not mean that the IDA has the jurisdiction or authority to lay charges under securities legislation or the criminal code. By-law 29.1 provides that the Member and registrants "*shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest".* It is the Association's position that breaches of federal or provincial statutes, regulations or policies relating to trading or advising in respect of securities may constitute a "conduct or practice which is unbecoming or detrimental to the public interest." The originating process is to allege the breach of an IDA Rule in the Notice of Hearing. The allegation is and will continue to be framed as a violation of IDA By-laws, and in particular, By-law 29.1. Amending the wording of the provision will have no impact, in practice, as allegations pertaining to breaches of securities legislation that are considered to be professional misconduct can always be brought under By-law 29.1. As such, the wording should remain as is.

Furthermore, in some jurisdictions, the Association has this authority through the powers delegated to it by certain securities commissions. For instance, the terms of the Alberta Recognition Order provides that the IDA will "*enforce compliance by its members, their staff, and their approved persons, with the IDA Rules and securities legislation as a matter of contract between the IDA and its members…"* Thus, amending the wording of the provision would render the provision inaccurate as the IDA currently has the ability, in some jurisdictions, to ensure compliance of more than simply its own Rules.

Penalty Hearings

Penalty hearings should be included as a specific category of enforcement hearings under By-law 20. Respondents may be willing to admit to a contravention but may nevertheless disagree with the appropriateness of the penalty being sought by Enforcement Staff. A penalty hearing would recognize a Respondent's admission of guilt to the charges, remorse and cooperation with the Association, without requiring him to forfeit his right to make full submissions regarding the appropriate penalty.

IDA Response

Penalty hearings form part of a disciplinary hearing. Thus, the wording of By-law 20.32(2) in no way precludes the holding of penalty hearings. At the disciplinary hearing the parties may present an agreed statement of facts which the trier of fact may choose to accept as proven, in which case, the process will proceed to the sanction hearing.

Compelling Complainants

Complainants should be subject to certain compulsions, namely: (i) to be interviewed by Investigative Staff regarding their complaint; (ii) to attend and give evidence at a hearing; and (iii) to provide Investigative Staff with any documents that may be relevant and probative to their complaint or to the hearing, including disclosure of any trading accounts held at any time with other Members and any prior complaints and/or settlements. Failure by a Complainant to cooperate with these reasonable requirements should dissuade Enforcement Staff from proceeding to a Disciplinary Hearing. These requirements are essential to ensuring balance and fairness in the proceedings, particularly since there is no equivalent process for discovery of the Complainant by a Respondent prior to the hearing.

IDA Response

The Association agrees that there is a need to compel complainants, however, the Association has no such authority in the absence of either contract or statute. Except in the province of Alberta under sections 63 and 64 of the Alberta Securities Act, the Associations' powers derive from contractual arrangements with registrants and Members. Thus, the Association does not have the authority to compel third parties, including complainants. As such, the recommendation to include a power of compulsion regarding complainants cannot be followed. Enforcement Staff does take into account, in the decision-making process regarding the route the case should take, whether there is sufficient evidence and cooperation from a complainant.

No Contest Pleas

The ability of a Respondent to enter a "no contest" plea at a Disciplinary Hearing should be explored. This type of plea is commonplace in the U.S. and other jurisdictions and often provides a pragmatic and reasonable resolution of an enforcement matter where a parallel civil or class action claim exists. By insisting on an admission or finding of guilt, Canadian Member firms and Approved Persons are arguably exposed to greater liability than U.S. counterparts under similar circumstances. This disparity is difficult to justify. The unavailability of a "no contest" plea in Canada may act as an impediment to the efficient settlement of enforcement charges, which ultimately may not be in the public interest.

IDA Response

The issue of "no contest pleas" was considered during the development of By-law 20 and it was determined that it was not appropriate, at this time, to implement "no contest pleas". The issue was discussed with the NASD, the SEC and CSA staff who were all of the opinion that the IDA should not adopt "no contest pleas" into its disciplinary process. The development of a diversionary program that may take the form of a voluntary undertaking is, however, being considered as part of the By-law 19 review.

Policy Statement Regarding Sanction Principles

There should be a Penalty Policy Statement clearly articulating that penalties imposed by a Hearing Panel are intended to be remedial and rehabilitative, not punitive. This is consistent with principles of administrative law. Enforcement Hearing Panels have a responsibility, and an opportunity through its written reasons, to clarify where a particular Respondent has failed to meet his/her/its regulatory responsibilities, and to provide guidance as to what conduct or due diligence would have been required in the circumstances. Enforcement Hearing Panels should not be seeking to set new precedents or establish new "best practices" through the imposition of penalties applied with the benefit of 20/20 hindsight. Any significant changes to industry standards, practices or conduct should be introduced by the Association through the issuance of new policies, guidelines or Member Regulation Bulletins, rather than through enforcement proceedings.

IDA Response

It is not appropriate to incorporate a Policy Statement such as the one suggested within the body of a By-law. The purpose of a By-law is not to set out all administrative law principles. The type of policy statement suggested regarding the objectives of sanctions is currently set out in the Sanction Guidelines. It should be recognized that administrative principles are evolutionary and should not be fixed in time but rather should be allowed to reflect the relevant considerations at the time that they are considered.

It is the practice of the Association to utilize the mechanisms of By-laws, Regulations, Policies and Bulletins to make any significant changes to industry standards or practices. However, the Hearing Panels also have an important role to play in the interpretation and application of the Associations' rules and Members and registrants should be aware of enforcement decisions to better understand their obligations and responsibilities pursuant to the Associations' rules.

Settlement Model

The proposed Accept / Reject settlement model is too rigid and inflexible and does not encourage or facilitate settlements. A more flexible approach is preferred, which could include penalty hearings, "no contest" pleas, suspended or conditional penalties, diversion programs, etc.

Negotiated settlements should be respected and given considerable deference by Hearing Panels. We have every confidence that retired judges chairing a Hearing Panel already understand this and will only rarely disturb jointly proposed resolutions where the underlying facts do not support the charges or proposed penalty. A Hearing Panel nevertheless has an obligation to set aside a proposed settlement or penalty if it is unreasonable in the context of the case. Thus, a Panel should have the discretion and power to accept or reject a proposed settlement, or alternatively, to reject a proposed penalty and convene a penalty hearing with the consent of both the Respondent and Enforcement Counsel, without necessarily having to reject the settlement entirely. The proposed Accept / Reject settlement model does not provide a Panel with the discretion or flexibility to do this where required in a particular case.

IDA Response

Extensive consultation both internally at the IDA and externally with Members and District Councils was engaged in prior to making the determination that the accept / reject model should be adopted for settlements at the IDA. The accept / reject model proposed in By-law 20 is based on the OSC settlement model.

As for the comment that a more flexible approach is preferred which could include penalty hearings, no contest pleas, suspended or conditional penalties, diversion programs etc. Penalty hearings are permitted and do not fall within the rubric of a "settlement hearing" to which the accept / reject model would apply. Suspended or conditional penalties are a matter for negotiation Enforcement Staff in a particular case and are not precluded by the proposed settlement model. A diversionary program for low-risk enforcement matters is being considered as part of the By-law 19 Review Project.

The statement to the effect that retired judges will only rarely disturb jointly proposed solutions may be true, however, the scope of persons that may act as Chair of a Hearing Panel is wider than simply retired judges. The accept / reject model is preferable to the current rule which allows Hearing Panels to decrease the terms and penalties of a settlement agreement at their discretion and increase them with consent of the parties. To properly respect the negotiated settlement agreement, the Hearing Panel should not have this discretion available to them.

The recourse where a settlement agreement is rejected is to enter into a subsequent settlement agreement. The likelihood is that this would be preferable from the perspective of a Respondent to the proposed consensual penalty hearing as the Respondent will be open to the imposition of any penalty or terms deemed appropriate by the Hearing Panel. In any event, it is always open to the parties after the rejection of a settlement agreement to agree to a specific set of facts and proceed to a penalty hearing that will be heard by a different Hearing Panel.

Kienapple Principle

We have some concerns regarding the maximum fines that may be imposed *per contravention*. We believe there should be some direction to Enforcement Staff (in the By-law and the Rules of Practice) requiring the principle in *R. v. Kienapple, [1975] 1 S.C.R. 729 (SCC),* be observed such that there is not a multiplicity of charges laid where a single charge of misconduct could suffice.

IDA Response

Enforcement Staff are aware of the principle expressed in *R.* v. *Kienapple*, and acknowledge that principle. It is, however, inappropriate to include such a "Staff Direction" in the Rules of Practice or By-law 20. The principle in the criminal case of *Kienapple* is a legal test that again cannot and should not be fixed in time. As a principle its' application is one of interpretation of the facts. The *Kienapple* principle is well-known and Enforcement Staff endeavor to incorporate such considerations consistently when assessing the appropriateness of sanctions.

Extending the Pool of Public Members to Persons Not Licensed to Practice Law

Restricting the availability of public members of hearing panels to those qualified to practice law may restrict the availability of good and competent public members. The qualification to practice law may exclude such individuals as law professors who though not qualified to practice law, would nevertheless be capable hearing panel members. We believe that the qualifications for hearing panels should be based not on occupation but rather on the merits and qualifications of the individuals.

IDA Response

The criteria should not be expanded as "qualified to practice law" is believed to be a fundamental requirement for a public member to ensure proper functioning of hearing panels. The public member of the Hearing Panel acts as the Chair of the Hearing Panel and must have knowledge of administrative law, legal principles and how to control the conduct of a hearing. The requirement to be "qualified to practice" law is a reasonable mandatory pre-requisite for appointment as a public member who will chair hearing panels. Persons will not, however, be appointed as public members simply because they are "qualified to practice law" the type of qualifications set out at By-law 20.4(3) should be carefully considered by District Councils when appointing public members.

Conflicts Of Interests And Representing Parties To IDA Hearings

It is unclear whether a partner in a large law firm would be prohibited from participating as a public member on a hearing panel, if another partner in the firm represents parties in hearings under By-law 20. As drafted, the section may preclude all members of a law firm from acting as a public member of a hearing panel if someone in the firm has a practice before IDA panels. This may unduly and unfairly restrict the availability of qualified individuals to sit as public members of hearing panels.

IDA Response

By-law 20.10(3) deals with appointment of public members to hearing committees. This provision clearly prohibits public members from being appointed as a public member or being continued to be appointed as a public member if he or she represents any parties to By-law 20 hearings. The provision is expressly applicable solely to the individual public member and does not extend to others working at the same law firm.

RULES OF PRACTICE AND PROCEDURE

Disclosure Obligation

In addition to Rule 10.1 (akin to Rule 3.5 OSC Rules of Practice), a provision similar to Rule 3.3(2) of the OSC Rules of Practice should also be adopted in order to ensure that there is an obligation of disclosure, as soon as it reasonably practicable after the service of the notice of hearing, of all documents in the possession or control of staff that are relevant to the hearing.

IDA Response

Rule 10.4 recognizes the Association's common law duty to disclose and clearly states that Rule 10 does not change or modify this duty. However, for the purpose of clarification, the language of Rule 10.4 will be amended to read, as follows:

> *"Nothing in this Rule 10 derogates from the Association's obligation to disclose all materials as required by common-law,* ***as soon as reasonably practicable after the issuance of the NOH.****"*

Referring To Facts Not Included In A Settlement Agreement

Rule 14 and 15 of the Rules of Practice preclude a Respondent from referring to or disclosing any facts not included in a Settlement Agreement without the prior consent of Enforcement Staff. In accordance with principles of natural justice and procedural fairness, a Respondent has the right to make full submissions at a settlement hearing. Without undercutting or reneging on a negotiated settlement, a Respondent should be able to refer to any relevant facts or evidence that may assist a Hearing Panel to understand the context of the actions giving rise to the misconduct and the appropriateness of the proposed penalty. Rules 14 and 15 be deleted or amended accordingly.

IDA Response

A new rule which permits the respondent to raise any factual issues considered relevant at a Settlement Hearing should not be introduced. Settlements are the product of lengthy negotiations and they invariably involve significant efforts to draft the factual portion of the Agreement in a manner that is acceptable to both parties. The effect of one party, unilaterally, providing additional information will have only one purpose and that is to implicitly indicate to the Hearing Panel that there is not in fact an agreement. To do so undercuts the purpose of either the agreed statement of facts or the agreement on sanctions. If the information sought to be introduced is "inconsequential", it is unlikely that Enforcement Staff would object to its inclusion in the Settlement Agreement and it ought to have been contemplated as part of the agreement. If a Hearing

Panel has specific questions about an issue not referred to in the Settlement Agreement, the parties should agree that the facts requested are appropriate to provide to the Panel. If a Hearing Panel is not satisfied with the agreed information presented, they are empowered to reject the Settlement Agreement.

Summary Of Evidence

Rule 11.1(1)(b)(iii) of the Rules of Practice and Procedure, purports to relieve Enforcement Staff from having to obtain a signed witness statement or transcript, and would allow Staff to provide *in lieu,* a summary of the evidence that Staff anticipates a witness will give at a hearing. Witnesses cannot be cross-examined on the basis of a summary of anticipated evidence produced by Staff. In absence of a signed witness statement or transcript, in most cases there will be insufficient clear and cogent evidence upon which Staff can, or should, lay charges against a Respondent. The public interest is not served by prosecuting a Respondent where a Complainant refuses to cooperate with Staff and provide a statement. Rule 11.1(1)(iii) should be deleted. Disclosure of any Complainant statements, letters, tapes or transcripts be provided to a Respondent as soon as practicable and in any event, prior to a Notice of Hearing, so that a Respondent can make an informed decision based on the disclosure whether to settle a matter or proceed to a penalty or full disciplinary hearing.

IDA Response

Rule 11.1(1)(b)(iii) is designed to deal with the rare circumstance where a non-controversial fact must be adduced to establish a specific allegation. Will-says (as witness summaries are commonly referred to) are even used in criminal proceedings, where there are strict Charter protections in place, for very minor witnesses. For example an administrative assistant may be called to authenticate a business document. It is not anticipated that subsection (iii) will be relied upon by Enforcement Staff in relation to key witnesses to a hearing. If such a circumstance arises, there will be no doubt that a Respondent would be successful in bringing a motion requesting a more detailed statement from witness. The concern that a Complainant will only have to provide a “summary of his or her evidence” is, as a practical matter, not going to arise. A complainant will be interviewed and a transcript provided in every case that proceeds to a formal hearing. As noted above, if a Complainant fails to cooperate with Enforcement Staff, it would be highly unlikely that the matter would be pursued.

With respect to the disclosure of a Complainant’s statement and other related documentation, it has always been Enforcement Staff’s policy to disclose such materials as soon as practicable after the issuance of the Notice of Hearing. It is recognized that a Respondent has a right to disclosure once it is known that the matter will be prosecuted. As a practical matter, disclosure is not automatically provided to them before the issuance of the Notice of Hearing. That is unless specifically requested by the Respondent and there is no adverse effect upon the investigation. The timing of disclosure even when a Notice of Hearing has been issued has also been discussed in the case law and in rare circumstances the courts have agreed that disclosure can be delayed to protect individuals or to avoid tampering of evidence. As long as Enforcement Counsel expressly advises the Respondent of his/her right to receive disclosure once it is known the Respondent will be the subject of a prosecution, then there has been no breach of their disclosure obligations. The onus will then shift to the Respondent to assess whether they in fact want disclosure prior to the issuance of a Notice of Hearing. Rule 10.4 recognizes Enforcement Staff’s common law obligation of disclosure.

Control Over Questioning Of Witnesses

We are concerned with the inclusion of Rule 13.3(2). Ex-judges chairing a Hearing Panel are already adept at controlling the proceedings they oversee, thus making this rule unnecessary. Including this rule may result in a chilling effect on strenuous, but legitimate, cross-examination of a witness. Given that the Association is seeking a considerable relaxation of the rules governing the admissibility of evidence at an enforcement proceeding, rigorous cross-examination may be necessary in a given case in order to test and ensure the veracity of the evidence put forth by a witness. We request that Rule 13.3 be deleted.

IDA Response

The proposed amended language of Rule 13.3 is as follows:

> *"The Chair of the Hearing Panel shall exercise reasonable control over the scope and manner of questioning of a witness to protect the witness from undue harassment or embarrassment and may limit further examination or cross-examination of a witness where it is satisfied that the examination or cross-examination has been sufficient to disclose fully and fairly all matters relevant to the issues in the proceeding."*

This proposed language adequately addresses both concerns that witnesses not be harassed and the concerns raised that cross-examination not be unduly restricted.

BY-LAW 20

ASSOCIATION HEARING PROCESSES

PART 1 - DEFINITIONS

20.1 In this By-law:

"Applicant" means:

an individual or Firm that applies for approval or membership pursuant to Part 7 of this By-law or ~~the~~ an Approved Person or Member that applies for an exemption pursuant to Part 8 of this By-law.

"Business days" means:

a day other than Saturday, Sunday or any officially recognized Federal statutory holiday or any officially recognized Provincial statutory holiday in the applicable District. In calculating the number of business days, the days on which the events happen are excluded.

"Calendar days" means:

all days in a calendar year. In calculating the number of calendar days, the days on which the events happen are excluded.

"Decision" means:

a determination, including reasons, arrived at after consideration of facts and/or law by a Decision-maker pursuant to this By-law. Decision includes rulings and orders.

"Decision-maker" means:

the person or body making the decision under the respective provision of By-law 20. The Decision-maker can be: Association Staff (20.18 Part 7 By-law 20, 20.24 Part 8 By-law 20); the District Council or a ~~sub-committee~~sub-committee of the District Council (20.18 and 20.20 Part 7 By-law 20, 20.24 and 20.25 Part 8 By-law 20); the Executive Committee of the Board of Directors; (20.21 Part 7 By-law 20), a Board Panel; (20.22 Part 7 By-law 20), a District Council Panel; (20.26 Part 8 By-law 20), a Hearing Panel; (20.13 Part 6 By-law 20); and an Appeal Panel; (20.51 Part 11 By-law 20).

"Disciplinary Hearing" means:

A hearing held by a Hearing Panel, under By-law 20.33 or By-law 20.34, that is not a settlement hearing, to determine whether the imposition of penalties against an Approved Person or Member is warranted for any of the reasons set out in By-law 20.33(1) or By-law 10.34(1).

"Former Judge" means:

an individual who has served as a judge in any provincial or federal court in Canada or an individual who is or has been qualified to practice law and has served as an adjudicator on an administrative tribunal in Canada.

"Monitor" means:

a Monitor appointed pursuant to By-law 20.46 to monitor the company's business and financial affairs and to act in furtherance of powers granted by a Hearing Panel.

"Panel" means:

a Hearing Panel (20.13 Part 6 By-law 20), a District Council Panel (20.26 Part 8 By-law 20), a Board Panel (20.22 Part 7 By-law 20) and an Appeal Panel (20.51 Part 11 By-law 20).

"Release of Decision" means:

when a decision made under this By-law is made available to the Respondent, Applicant, Approved Person or Member pursuant to the IDA Rules of Practice and Procedure.

"Respondent" means:

an Approved Person or Member who is the subject of a disciplinary hearing, settlement hearing, expedited hearing, or appeal hearing under By-law 20.

"Settlement Agreement" means:

an agreement reached by the Association and the Respondent whereby the parties agree to disciplinary charges, facts and penalty.

PART 2 -- GENERAL AUTHORITY OF PANELS

20.2 Exercise Of Authority

(1) A Panel~~Hearing Panel, District Council Panel, Board Panel, or Appeal Panel~~ may make any determination, hold any hearing and make any decision, order, interim order or impose any terms required to implement such order, required or permitted under By-law 20 or under the IDA Rules of Practice and Procedure.

(2) A Panel~~Hearing Panel, District council Panel, Board Panel, or Appeal Panel, may, in it's discretion, admit any evidence, information, testimony, document, affidavit or thing, whether or not given or proven under oath or affirmation and whether or not inadmissible by any statute or law.~~ is not bound by any legal or technical rules of evidence and may admit as evidence in a hearing, whether or not given or proven under oath or affirmation, anything that is relevant to the proceedings. ~~is not bound by any legal or technical rules of evidence and may admit as evidence in a hearing, whether or not given or proven under oath or affirmation, anything that is relevant to the proceedings.~~

(3) A Panel~~Hearing Panel, District Council Panel, Board Panel, or Appeal Panel~~ may require presentation of evidence or testimony under oath or affirmation.

PART 3 -- DECISION-MAKING AND EFFECTIVENESS OF DECISIONS

20.3 Decision-making

(1) For any decision made pursuant to By-law 20 where the Decision-maker consists of more than one individual, any action affirmed by a majority of persons that make up the Decision-maker, shall constitute the decision of the Decision-maker.

(2) Where a ~~Hearing~~ Panel is comprised of only two members pursuant to By-law 20.17, any action affirmed by both members shall constitute the decision of the ~~Hearing~~ Panel. Where an agreement is not reached, the matter shall be deemed dismissed as against the Respondent.

(3) All decisions of a Decision-maker pursuant to By-law 20, including dissent decisions, shall be in writing and shall contain reasons for the decision.

(4) Dissent decisions may be issued by a member of a Panel. ~~Board Panel, District Council Panel, Hearing Panel, or Appeal Panel.~~

(5) Notwithstanding By-law 20.16(2), the other members of a Hearing Panel or Appeal Panel shall draft the decision where the Chair of the Panel dissents with the majority decision.

20.4 Territorial Application of Decisions

(1) Any decision made under this By-law shall have effect in all of the Districts, unless otherwise ordered by the Decision-maker or unless such extension or application of the decision is limited by law.

20.5 Effective Date of Decision

(1) Any decision made pursuant to By-law 20 shall become effective on the date that the decision is made, unless it provides otherwise.

(2) Notwithstanding subsection (1), a decision made pursuant to By-law 20.28 shall become effective as prescribed in By-law 20.29(3).

20.6 Effective Date of Penalties

(1) Suspensions, bars, expulsions, restrictions or other conditions or terms imposed on approval or Membership commence as of the effective date of the decision, unless otherwise determined by the Decision-maker.

(2) Any fine imposed on a Respondent shall be payable immediately when the decision becomes effective unless otherwise agreed by the parties.

PART 4 - CONTINUING JURISDICTION

20.7 Former Members and Approved Persons

(1) For the purposes of By-law 19 and By-law 20, any Member and any Approved Person shall remain subject to the jurisdiction of the Association for a period of five years from the date on which such Member or Approved Person ceased to be a Member or an Approved Person of the Association, subject to subsection (2).

(2) An enforcement hearing under Part 10 of this By-law may be brought against a former Approved Person who re-applies for approval under Part 7 of this By-law, notwithstanding expiry of the time period set out in subsection (1).

(3) An Approved Person whose approval is suspended or revoked or a Member who is expelled from membership or whose rights or privileges are suspended or terminated shall remain liable to the Association for all amounts owing to the Association.

PART 5 - HEARING COMMITTEE

20.8 Nominating Committee - Appointment of Hearing Committee Members

(1) Each District Council shall establish a Nominating Committee. The Nominating Committee shall be composed of the Chair of the District Council, the Vice-Chair of the District Council and one other member of the District Council as appointed by the District Council.

(2) The Nominating Committee shall nominate individuals to be members of the Hearing Committee of the respective District, in accordance with By-laws 20.9 to 20.12, and present these nominations for approval by the respective District Council.

(3) The District Council must approve the appointment of members to the Hearing Committee by vote pursuant to By-law 11.

20.9 Appointment of Industry Members to Hearing Committees

(1) The Nominating Committee shall nominate persons for appointment as industry members of the Hearing Committee.

(2) The Nominating Committee shall consider for nomination as an industry member of the Hearing Committee any District Council member, other than a member of the Nominating Committee, or any other persons who are:

(a) resident in the District; and

(b) an officer, partner, director or employee of a Member; or

(c) a retired officer, partner, director or employee of a Member.

(3) The Nominating Committee shall review the suitability, fitness and qualifications of each person nominated as an industry member to the Hearing Committee.

(4) The District Councils of Alberta, Ontario, the Pacific and Quebec shall each appoint a minimum of seven industry members to their respective Hearing Committees.

(5) The District Councils of Manitoba, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island and Saskatchewan shall each appoint a minimum of four industry members to their respective Hearing Committees.

20.10 Appointment of Public Members to Hearing Committees

(1) The Nominating Committee shall nominate public members of the Hearing Committee.

(2) The Nominating Committee shall consider for nomination as a public member only those persons who are:

(a) resident in the District; and

(b) currently or have been qualified to practice law in any Canadian jurisdiction.

(3) No person shall be eligible to be appointed as a public member or be permitted to continue to serve his or her term of appointment as a public member if he or she represents any parties to hearings under By-law 20 during the course of his or her appointment to a Hearing Committee.

(4) The Nominating Committee shall review the suitability, fitness and qualifications of each person nominated as a public member of the Hearing Committee.

(5) The District Councils of Alberta, Ontario, the Pacific and Quebec shall each appoint a minimum of three public members, one of which shall be a former judge, to their respective Hearing Committees.

(6) The District Councils of Manitoba, New Brunswick, Nova Scotia and Saskatchewan shall each appoint a minimum of two public members, one of which shall be a former judge, to their respective Hearing Committees.

(7) The District Councils of Newfoundland and Prince Edward Island shall each appoint a minimum of one public member to sit on their respective Hearing Committees, between the Hearing Committees of these two Districts, there shall be one former judge.

20.11 Chair of Hearing Committee

(1) The Nominating Committee of each District shall nominate a public member to serve as Chair of the Hearing Committee.

(2) The District Council must approve the appointment of a Chair of the Hearing Committee by a vote pursuant to By-law 11.

(3) The Chair of the Hearing Committee shall play an advisory role with respect to any legal, administrative or procedural issues raised by Hearing Committee Members or any issues regarding selection of Hearing Panel members raised by the National Hearing Coordinator.

20.12 ~~Term of~~ Appointment To and Removal From ~~To~~ Hearing Committees

(1) Each person appointed to a Hearing Committee shall serve for a term of one year from the date of his or her appointment.

(2) If a ~~Hearing Committee~~ a Panel member is seized with a hearing at the expiration of their term of appointment, ~~one year term,~~ the term of that Panel member shall be automatically extended until ~~completion of the hearing.~~ a written decision is rendered in the matter.

(3) Upon expiration of the one-year term, members of the Hearing Committee may be re-appointed by District Council to serve on the Hearing Committee, pursuant to By-law 20.8.

(4) The District Council may remove Hearing Committee members from the Hearing Committee roster if the Hearing Committee member fails or is unable to perform the essential duties of his or her position.

(5) The District Council shall remove Hearing Committee members from the Hearing Committee roster if the Hearing Committee member:

(a) ceases to meet the applicable criteria prescribed by By-law 20.9 (2) for industry members and by By-law 20.10 (2) for public members; or

(b) is a public member who engages in the type of relationship or conduct prohibited by By-law 20.10(3).

PART 6 - DECISION-MAKERS

20.13 Hearing Panel Composition and Quorum

(1) Any hearing pursuant to:

(a) By-law 20.19 (approval review hearings);

(b) By-law 20.29 (early warning level 2 review hearings);

(c) By law 20.33 and By-law 20.34 (disciplinary hearings);

(d) By-law 20.36 (settlement hearings);

(e) By-law 20.45 and By-law 20.47 (expedited hearings);

(f) By-law 20.47 (expedited review hearings);

shall be heard by a Hearing Panel comprised of two industry members and one public member appointed to the Hearing Committee of the applicable District, subject to subsection (2).

(2) Hearing Committee members may serve on Hearing Panels in other Districts where both Chairs of the respective Hearing Committees consent.

20.14 Selection of Panel~~Hearing Committee~~ Members for Hearings

(1) The National Hearing Coordinator shall be responsible for selection of members of Hearing Panels, District Council Panels, Board Panels and Appeal Panels, pursuant to By-law 20, and any other duties as prescribed by the IDA Rules of Practice and Procedure.

20.15 Conflicts of Interest

(1) A member of a District Council, the Board of Directors, or a Hearing Committee shall not be a member of a Panel~~Decision maker~~ with respect to a matter under By-law 20 if he or she:

(a) is an officer, partner, director, employee or an associate of, or is providing services to, the Member, affiliate of the Member or related company of the Member, that is the Applicant or Respondent under By-law 20;

(b) is an officer, partner, director, employee or an associate of a Member, affiliate of the Member or related company of, or is providing services to the Member, affiliate of the Member or related company of the Member where an Approved Person, who is the Applicant or Respondent under By-law 20, is employed;

(c) represents any parties to hearings under By-law 20 during the course of his or her appointment to a Hearing Committee; or

(d) has or had such other relationship to the Approved Person, Member, affiliate of the Member or related company of the Member, or matter as may give rise to a reasonable apprehension of bias.

20.16 Chair of ~~Hearing~~ Panels~~Panel~~

(1) The following persons shall be appointed to serve as the Chair of the respective Panels:

(a~~1~~) A public member of a Hearing Committee shall be appointed to be the Chair of any Hearing Panel.

(b) A public member of a Hearing Committee shall be appointed to be the Chair of any Appeal Panel pursuant to By-law 20.51(1)(c)~~.~~

(c) An industry member of the District Council shall be appointed to be the Chair of any District Council Panel, pursuant to By-law 20.26(4).

(d) An independent member of the Board of Directors shall be appointed to be the Chair of any Board Panel, pursuant to By-law 20.22(3).

(~~2~~2) The Chair of a Panel, appointed pursuant to subsection (1),~~the Hearing Panel~~ shall be responsible for~~:~~ ~~(a)~~ conduct of a hearing in consultation with the other members of the Panel~~industry members of a Hearing Panel~~.~~; and~~.

(3) The Chair of a Hearing Panel or Appeal Panel shall be responsible for~~(b)~~ drafting of decisions, with which he or she does not dissent, in consultation with the other members of the ~~industry members of a~~ Hearing Panel or Appeal Panel.

20.17 Continuation of a Hearing With Two ~~Hearing~~ Panel Members

(1) A hearing under By-law 20 shall not continue where the Chair of Panel~~a Hearing Panel~~ is unable to continue to be a member of the ~~Hearing~~ p~~P~~Panel hearing the matter.

(2) If a member of a Panel, other than the ~~n~~Chair of a Panel, ~~industry member~~ is unable to continue to be a member of a ~~Hearing~~ Panel presiding over ~~an enforcement~~ hearing, the Chair of the ~~Hearing~~ Panel may decide, in his or her discretion, whether or not to proceed with the hearing.

(3) If the Chair of ~~the~~a Panel ~~Hearing Panel~~ is unable to continue to be a member of a ~~Hearing~~ Panel, pursuant to subsection (1), or the Chair of the ~~Hearing~~ Panel decides not to proceed with the hearing, pursuant to subsection (2), a new ~~Hearing~~ Panel shall be constituted to preside over the hearing.

PART 7 - INDIVIDUAL AND MEMBERSHIP APPROVALS

APPROVAL APPLICATIONS

20.18 Powers of District Council

(1) The District Council shall have the power, which it may delegate to a ~~Sub-Committee~~Sub-committee of the District Council comprised of three industry members and established pursuant to By-law 11, or to Association Staff, to:

(a) approve an application for approval as, or the transfer of a:

(i) sales manager, branch manager, assistant or co-branch manager, pursuant to By-law 4,

(ii) partner, director or officer, pursuant to By-law 7,

(iii) registered representative or investment representative, pursuant to By-law 18,

(iv) trader, pursuant to Regulation 500, or

(v) portfolio manager, futures contracts portfolio manager and associate portfolio manager pursuant to Regulation 1300.

(2) The District Council shall have the power, which it may delegate to a ~~Sub-Committee~~Sub-committee of the District Council, pursuant to subsection (1), to:

(a) approve an application for approval or transfer referred to in By-law 20.18(1)(a) subject to such conditions as may be considered just and appropriate;

(b) refuse an application for approval or transfer referred to in By-law 20.18(1)(a), if in its opinion:

(i) the Applicant does not meet any requirements prescribed by IDA By-laws, Regulations, Rulings or Policies;

(ii) the By-laws, Regulations, Rulings and Policies of the Association will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, training or experience; or

(iv) such approval is otherwise not in the public interest.

20.19 Review Hearings

(1) Association Staff or the Applicant may request a review of an approval decision by a Hearing Panel within ten business days after release of the decision.

(2) If a review is not requested within ten business days after release of the decision, the approval decision becomes final.

(3) No member of a District Council who has participated in a decision to refuse an application or impose conditions on an application, pursuant to By-law 20.18, shall participate on the Hearing Panel.

(4) A review hearing held under this Part shall be held in accordance with the IDA Rules of Practice and Procedure.

(5) The Hearing Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on approval;

(d) limit the ability to re-apply for approval for such period of time as it determines just and appropriate; and

(e) make any decision that could have been made by the District Council pursuant to By-law 20.18.

(6) No appeal shall be available from the decision of the Hearing Panel.

MEMBERSHIP APPLICATIONS

20.20 Recommendation of District Council

(1) The District Council, or a ~~sub-committee~~sub-committee of the District Council comprised of three industry members established pursuant to By-law 11, shall make a recommendation to the Executive Committee of the Board of Directors to:

(a) approve an application for Membership made pursuant to By-law 2;

(b) approve the application subject to such terms and conditions as may be considered just and appropriate; or

(c) refuse the Application if, in the opinion of the District Council or the Sub-committee of the District Council:

(i) the Applicant does not meet any requirements prescribed by IDA By-laws, Regulations, Rulings of Policies;

(ii) the By-laws, Regulations, Rulings and Policies of the Association will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, or experience; or

(iv) such approval is otherwise not in the public interest.

20.21 Powers of the Executive Committee of the Board of Directors

(1) The Executive Committee of the Board of Directors shall have the power to:

(a) approve an application for Membership made pursuant to By-law 2;

(b) approve the application subject to such terms and conditions as may be considered just and appropriate;

(c) refuse the application if, in its opinion:

(i) the By-laws, Regulations, Rulings and Policies of the Association will not be complied with by the Applicant;

(ii) the Applicant is not qualified for approval by reason of integrity, solvency, or experience; or

(iii) such approval is otherwise not in the public interest.

20.22 Review Hearings

(1) Association Staff or the Applicant may request a review of a membership approval decision by a Board Panel within thirty business days after release of the decision.

(2) If a review is not requested within thirty business days after release of the decision, the membership approval decision becomes final.

(3) The review hearing shall be presided over by a panel of the Board of Directors comprised of one independent member of the Board of Directors and two industry members of the Board of Directors, and where the Applicant is a Quebec firm, at least one of the members of the Board Panel shall be resident in Quebec. No member of the Executive Committee of the Board of Directors who participated in the making of the membership approval decision shall be a member of the Board Panel.

(4) A review hearing held under this Part shall be held in accordance with the IDA Rules of Practice and Procedure.

(5) The Board Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on Membership;

(d) limit the ability to re-apply for approval for such period of time as it determines just and appropriate; and

(e) make any decision that could have been made by the Executive Committee pursuant to By-law 20.21.

~~(6) All decisions by a Board Panel shall be in writing and shall contain a statement of the reasons for the decision. A member of a Board Panel may dissent with separate reasons.~~

(6~~7~~) No appeal shall be available from the decision of the Board Panel.

20.23 District Council Powers -- Exemption for Payment of Entrance Fee

Notwithstanding By-law 20.20, By-law 20.21 and By-law 20.22, if an Applicant is exempted from payment of the Entrance Fee pursuant to By-law 3.4 and has met all Membership application conditions pursuant to By-law 2, except any conditions the District Council has waived in the circumstances, the District Council may approve the application for Membership without referral to the Executive Committee of the Board of Directors for final decision.

PART 8 - EXEMPTION REQUEST APPLICATIONS

PROFICIENCY EXEMPTIONS

20.24 Powers of District Councils

(1) Persons may apply for a proficiency exemption pursuant to Policy 6.

(2) The District Council, or a ~~sub-committee~~sub-committee of the District Council comprised of three industry members and established pursuant to By-law 11, shall have the power, to:

(a) exempt any person or class of persons from proficiency requirements, pursuant to paragraph B of Policy 6 - Part I Proficiency Requirements on such terms and conditions, if any, as it may determine;

(b) exempt any person from writing or re-writing any required course or examination , pursuant to paragraph C of Policy 6 - Part II Course and Examination Exemptions, on such terms and conditions, if any, as it may determine; or

(c) exempt any person from the Continuing Education Program requirements, pursuant to Section A.3 of Policy 6 -- Part III The Continuing Education Program, on such terms and conditions, if any, as it may determine.

(3) The District Council, or a ~~sub-committee~~sub-committee of the District Council comprised of three industry members and established pursuant to By-law 11, may delegate the power to approve or refuse proficiency exemptions to Association Staff.

INTRODUCING CARRYING BROKER ARRANGEMENT EXEMPTIONS

20.25 Powers of District Councils

(1) Members may apply for an exemption from the introducing carrying broker arrangement requirements pursuant to By-law 35.

(2) The District Council, or a ~~sub-committee~~sub-committee of the District Council, established pursuant to By-law 11, shall have the power to:

(a) exempt any Member from any of the requirements of By-law 35 on such terms and conditions, if any, as it determines to be just and appropriate; and

(b) exempt any arrangements between a Member and a Member's foreign affiliate, pursuant to By-law 35.6, from the requirements of By-law 35 on such terms and conditions, if any, as it determines to be just and appropriate.

(3) The Member shall comply with any rules applicable to introducing carrying broker arrangement exemption applications prescribed by the IDA Rules of Practice and Procedure.

(4) The Member shall be provided with notice of the decision where the exemption is granted and the decision with reasons where the exemption is refused or granted subject to conditions.

EXEMPTION REVIEW HEARINGS

20.26 Review Hearings

(1) The Applicant or Association Staff may apply for a review of the District Council decisions pursuant to By-law 20.24 or By-law 20.25 within ten business days after release of the decision.

(2) If the Applicant does not request a review within the time period prescribed in subsection (1), the District Council decision to refuse the exemption request application or approve the exemption request application subject to terms and conditions, shall become final.

(3) If Association Staff requests a review within the time period prescribed in subsection (1), the request for review shall operate as a stay from the District Council decision.

(4) A review of a District Council decision shall be heard by a District Council Panel comprised of three members of the District Council. No member of a District Council who participated in the District Council decision shall sit on the District Council Panel.

(5) The District Council Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on an Applicant; and

(d) make any decision that could have been made by the District Council or a sub-committee of the District Council pursuant to By-law 20.24 and By-law 20.25.

~~(6) All decisions by a District Council Panel shall be in writing and shall contain a statement of the reasons for the decision. A member of a District Council Panel may dissent with separate reasons.~~

(6~~7~~) No appeal shall be available from the decision of the District Council Panel.

20.27 Costs

(1) The District Council Panel may order against the Applicant any costs associated with the exemption request review hearing determined to be appropriate and reasonable.

(2) Costs shall not be assessed where the District Council Panel grants the exemption request.

PART 9 - EARLY WARNING REVIEW PROCEEDINGS

20.28 Imposition of Prohibitions - Early Warning Level 2

(1) The Senior Vice-President Member Regulation, or his or her delegate may, in his or her discretion, order that a Member designated as being in Early Warning Level 2, pursuant to By-law 30, be prohibited from:

(a) opening any new branch offices;

(b) hiring any new registered representative, or investment representative;

(c) opening any new customer accounts; or

(d) changing, in any material respect, the inventory positions of the Member.

(2) Written notice of an order made under subsection (1) shall be provided to the Member.

20.29 Review of Early Warning Level 2 Prohibitions

(1) The Member may request a review of a By-law 20.28 order by a Hearing Panel within three business days after release of the decision.

(2) If a request for review is made, the hearing shall be held as soon as reasonably possible and no later than twenty-one calendar days after the request for review, unless otherwise agreed by the parties.

(3) If a Member does not request a review within the time period prescribed in subsection (1), the By-law 20.28 order becomes effective and final.

(4) A Hearing Panel may:

(a) affirm the order;

(b) quash the order; or

(c) vary or remove any prohibitions imposed on the Member; and

(d) make any decision that could have been made by the Senior Vice-President Member Regulation, or his or her designate pursuant to By-law 20.28.

(5) No appeal shall be available from the decision of the Hearing Panel.

PART 10 -- ENFORCEMENT HEARINGS

INITIATION OF ENFORCEMENT HEARINGS

20.30

(1) The Association may hold hearings, as set out under this By-law, in order to ensure compliance with and enforcement of Association By-laws, Regulations, Rulings and Policies and federal or provincial statutes, regulations, rulings or policies relating to trading or advising in respect of securities or commodities.

(2) The categories of enforcement hearings under By-law 20 are: disciplinary hearings; settlement hearings and expedited hearings. Enforcement hearings shall be conducted in accordance with this By-law and the IDA Rules of Practice and Procedure.

POWERS OF COMPULSION

20.31 Members, Approved Persons and Association Staff

(1) Every Member, Approved Person and ~~or~~ Association Staff member shall:

(a) attend and give evidence respecting any matter relevant to hearings pursuant to By-law 20.33, By-law 20.34 or By-law 20.42 upon receipt of notice from the National Hearing Coordinator or his or her designate or order of a Hearing Panel; and

(b) produce for inspection and provide copies of any books, records, accounts and documents that are in the possession or control of the Member or Approved Person, to a Hearing Panel upon receipt of notice from the National Hearing Coordinator or order of the Hearing Panel.

(2) Failure to comply with subsections 1(a) or (b) constitutes a contravention of Association By-laws and may result in disciplinary action under By-law 20.33 or By-law 20.34.

20.32 Partners, Directors, Officers and Employees of Members

(1) Where a Hearing Panel requires the attendance before it of any partner, director, officer or employee of a Member, who is not an Approved Person, the Member shall direct such employee to attend and to give information or make such production of documents as can be required of a person referred to in By-law 20.31.

(2) Failure by the Member to comply with subsection (1) constitutes a contravention of Association By-laws and may result in disciplinary action under By-law 20.34.

PENALTIES

20.33 Approved Persons

(1) Upon conclusion of a disciplinary hearing, a Hearing Panel may impose the penalties set out at 20.33(2) if, in the opinion of the Hearing Panel, the Approved Person:

(a) failed to comply with or carry out the provisions of any federal or provincial statute, regulation, ruling or policy relating to trading or advising in respect of securities or commodities;

(b) failed to comply with the provisions of any By-law, Regulation, Ruling or Policy of the Association; or

(c) failed to carry out an agreement or undertaking with the Association.~~;~~

(2) Pursuant to subsection (1), a Hearing Panel may impose any one or more of the following penalties upon the Approved Person:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $1,000,000 per contravention; ~~or~~and

(ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.

(c) suspension of approval for any period of time and upon any conditions or terms;

(d) terms and conditions of continued approval;

(e) prohibition of approval in any capacity for any period of time;

(f) termination of the rights and privileges of approval;

(g) revocation of approval;

(h) a permanent bar from approval with the Association; or

(i) any other fit remedy or penalty.

20.34 Members

(1) Upon conclusion of a disciplinary hearing, a Hearing Panel may impose the penalties set out at By-law 20.34(2) if, in the opinion of the Hearing Panel, the Member:

(a) failed to comply with or carry out the provisions of any federal or provincial statute, regulation, ruling or policy relating to trading or advising in respect of securities or commodities;

(b) failed to comply with the provisions of any By-law, Regulation, Ruling or Policy of the Association;

(c) failed to carry out an agreement or undertaking with the Association; or

(d) failed to meet liabilities to another Member or to the public.

(2) Pursuant to subsection (1), a Hearing Panel may impose any one or more of the following penalties upon the Member:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $5,000,000 per contravention; and~~or~~

(ii) an amount equal to three times the profit made or loss avoided by the Member by reason of the contravention;

(c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease dealing with the public) for any period of time and upon any conditions or terms;

(d) terms and conditions of continued Membership;

(e) termination of the rights and privileges of Membership;

(f) expulsion of the Member from membership in the Association; or

(g) any other fit remedy or penalty.

SETTLEMENT HEARINGS

20.35 Negotiation of Settlement Agreements

(1) Association Staff may negotiate a Settlement Agreement with any Approved Person or Member.

(2) The parties to a Settlement Agreement may agree to the imposition of any of the penalties prescribed by By-law 20.33 or By-law 20.34.

(3) Settlement discussions may occur at any time until the conclusion of a settlement hearing or a disciplinary hearing.

(4) All negotiations of a Settlement Agreement are conducted on a without prejudice basis to the Association and all other persons involved in the negotiations and cannot be used as evidence or referred to in any proceedings.

20.36 Hearing Panel Powers

(1) Upon conclusion of a settlement hearing, the Hearing Panel may either~~only~~:

(a) accept the Settlement Agreement; or

(b) reject the Settlement Agreement.

(2) Settlement Agreements shall become effective and binding upon Association Staff and an Approved Person or Member upon acceptance by a Hearing Panel. An Approved Person or Member shall be deemed to have been penalized pursuant to By-law 20.33 or By-law 20.34 upon acceptance of a Settlement Agreement by a Hearing Panel.

20.37 Acceptance Of Settlement Agreement

(1) The decision of a Hearing Panel accepting a Settlement Agreement shall constitute final disciplinary action of the Association and no appeal shall be available from the decision.

20.38 Rejection of Settlement Agreement -- Proceeding to a Subsequent Settlement Hearing

(1) If a Settlement Agreement is rejected by a Hearing Panel, the parties may agree to enter into another Settlement Agreement.

(2) No member of the Hearing Panel that presided over the initial settlement hearing shall sit on the Hearing Panel presiding over the subsequent settlement hearing.

(3) The reasons for rejecting a Settlement Agreement shall not be made public upon rejection of the initial settlement hearing, but shall be made available to a Hearing Panel presiding over the subsequent settlement hearing.

20.39 Rejection of Settlement Agreement -- Proceeding to A Disciplinary Hearing

(1) If a Settlement Agreement or a subsequent Settlement Agreement is rejected by a Hearing Panel, the Association may proceed to a disciplinary hearing based on the same or related disciplinary charges pursuant to By-law 20.33 or By-law 20.34.

(2) No member of the Hearing Panel that presided over the settlement hearing or subsequent settlement hearing shall sit on a Hearing Panel constituted for a disciplinary hearing on the same or related disciplinary charges.

20.40 Rejection of Settlement Agreement

(1) There shall be no appeal from a decision of a Hearing Panel rejecting a Settlement Agreement.

EXPEDITED HEARINGS

20.41 Expedited Hearings

(1) Expedited hearings are held upon application by Association Staff and without notice to the Respondent in the circumstances prescribed in By-law 20.42 and By-law 20.43.

20.42 Types of Expedited Hearings- Members

(1) A Hearing Panel may impose any of the penalties prescribed by By-law 20.45 upon a Member in any of the following circumstances:

Bankruptcy

(a) a Member makes a general assignment for the benefit of its creditors, makes an authorized assignment or a proposal to its creditors; is declared bankrupt, or a winding-up order is made in respect of a Member or a receiver or other officer with similar powers is appointed in respect of all or any part of the undertaking and property of the Member.

Suspension or Cancellation of Registration or Membership

(b) the registration of a Member as a dealer in securities or commodities under any statute respecting trading or advising in respect of securities or commodities or as an underwriter in any statute in respect of securities or commodities has lapsed or is suspended or cancelled;

(c) a recognized stock exchange, securities commission, securities regulatory authority, self-regulatory organization or any recognized trading or quotation system suspends the Membership or privileges of a Member;

Financial or Operating Difficulty

(d) where a Member is in such financial or operating difficulty that the Hearing Panel determines the Member cannot be permitted to continue to operate without risk of imminent harm to the public, other Members or the Association;

Failure to Cooperate With -- Association Compliance Examinations or Investigations

(e) where a Member fails to cooperate with Association compliance examinations or investigations pursuant to By-law 19 and the Hearing Panel determines that the Member cannot be permitted to continue to operate without risk of imminent harm to the public, other Members or the Association;

Criminal Charges

(f) where a Member has been charged with a criminal offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, and such criminal charge likely brings the capital markets into disrepute.

Non-Compliance With Conditions

(g) where a Member fails to comply with terms or conditions imposed pursuant to By-law 20.33, By-law 20.34 or By-law 20.38 or By-law 20.29.

20.43 Types of Expedited Hearings - Approved Persons

(1) A Hearing Panel may impose any of the penalties set out in By-law 20.45 upon an Approved Person in any of the following circumstances:

Suspension or Cancellation of Registration or Approval

(a) the registration or approval of an Approved Person under any statute respecting trading or advising in respect of securities or commodities has lapsed, is suspended or cancelled;

(b) a recognized stock exchange, securities commission, securities regulatory authority, self-regulatory organization or recognized trading or quotation system suspends an Approved Person;

Failure to Cooperate With-- Association Compliance Examinations and Investigations

(c) failure to cooperate with Association compliance examinations and investigations pursuant to By-law 19 and the Hearing Panel determines that the Approved Person cannot be permitted to continue to be an Approved Person without risk of imminent harm to the public, other Members or the Association;

Criminal Charges

(d) where an Approved Person has been charged with a criminal offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, and such criminal charge likely brings the capital markets into disrepute;

Non-Compliance With Conditions

(e) where an Approved Person fails to comply with terms or conditions imposed pursuant to By-law 20.33, By-law 20.34, or By-law 20.38.

20.44 Non-payment of Fines or Costs

(1) In the event that a fine or costs imposed by a Hearing Panel are not paid within the prescribed time, the Senior Vice-President Member Regulation, or his or her designate may summarily, without further notice, suspend a Member or Approved Person, until such fine or costs are paid.

20.45 Powers Of Hearing Panel

(1) A Hearing Panel has the power to impose any of the following penalties upon a Respondent who is an Approved Person or Member in the circumstances prescribed in By-law 20.42 and By-law 20.43:

(a) suspension of approval or Membership;

(b) imposition of terms or conditions on a suspension of approval or Membership;

(c) imposition of terms or conditions on continued approval or Membership;

(d) direction to immediately cease dealing with the public;

(e) an order with terms and conditions to facilitate the orderly transfer of client accounts from a Member suspended under this By-law;

(f) termination of the rights and privileges of approval or Membership;

(g) expulsion of an Approved Person or Member from the Association; or

(h) imposition of a Monitor pursuant to By-law 20.46.

20.46 Powers Of Hearing Panel To Impose A Monitor

(1) A Hearing Panel may order the imposition of a Monitor, on such terms and conditions as it deems just and appropriate, where it is in the interest of the public, and the Hearing Panel determines that:

(a) the Member is at financial risk and may become insolvent;

(b) client accounts are at risk of financial loss due to a Member's financial condition, inadequate internal controls or deficient operating procedures;

(c) the Member has failed to maintain regulatory capital requirements as prescribed by Association By-laws, Rules, Regulations or Policies or any federal or provincial statute, Regulation, Ruling or Policy relating to trading or advising in respect of securities or commodities; or

(d) the securities firm has been suspended by the Association or other regulatory or self-regulatory organization for failure to meet regulatory capital requirements.

(2) A Monitor appointed pursuant to subsection (1) shall monitor the Member's business and financial affairs in accordance with the terms and conditions specified by the Hearing Panel.

(3) A Hearing Panel may assign any of the following terms and conditions to the Monitor, for such period of time as the Hearing Panel determines is just and appropriate in the circumstances:

(a) to enter and re-enter the Member's premises and to remain on site to conduct day-to-day monitoring of all of the Member's business activities, including but not limited to, monitoring and review of accounts receivable, accounts payable, client accounts, margin, client free credits, the Member's banking, any books or records of the Member, trading conducted by or on behalf of the Member for its' own account or the account of its' clients, payment of any debts or the creation of new debt and any reconciliation required to be completed by the Member;

(b) to make copies of information and to provide copies of such information to Association Staff or any other agency the Hearing Panel determines appropriate;

(c) to provide ongoing reporting of the Monitor's findings or observations to Association Staff or any other agency the Hearing Panel determines appropriate;

(d) to monitor compliance by the Member with any terms or conditions which have been imposed on the Member by the Association or any other regulator, including but not limited to, compliance with early warning terms and conditions;

(e) to verify and assist with the preparation of any regulatory filings, including but not limited to, the calculation of risk adjusted capital;

(f) to conduct or have conducted an appraisal of the Member's net worth or valuation of any part of the Member's assets;

(g) to assist the staff of the Member to facilitate the orderly transfer of client accounts;

(h) to pre-authorize any issuance of cheques or payments made by or on behalf of the Member or distribution of any of the Member's assets; or

(i) any other such terms or conditions that the Hearing Panel determines is just and appropriate to assign to the Monitor.

(4) The expenses related to a Monitor appointed pursuant to By-law 20.46 shall be borne by the Member.

20.47 Review Hearing

(1) The Respondent may file a written request for review of any decision made pursuant to By-law 20.45 within thirty calendar days after release of the decision of the Hearing Panel.

(2) If a request for review is made, pursuant to subsection (1), a hearing shall be held as soon as reasonably possible and no later than twenty-one calendar days after filing of the written request for review unless otherwise agreed by the parties.

(3) No member of a Hearing Panel who presided over a hearing held pursuant to By-law 20.45 shall sit on a Hearing Panel constituted for review of that decision.

(4) If a Respondent does not request a review within the time period prescribed in subsection (1), the Hearing Panel decision shall become final.

(5) Unless the Hearing Panel orders otherwise, a request for a review shall not operate as a stay from a decision made pursuant to By-law 20.45, notwithstanding By-law 20.53 (1).

(6) The review decision of a Hearing Panel may be appealed by either party pursuant to By-law 20.5~~1~~0.

20.48 Powers of The Hearing Panel - Review Hearing

(1) The Hearing Panel presiding over the review hearing may:

(a) affirm any decision;

(b) quash any decision;

(c) vary any decision or penalty; and

(d) make any decision that could have been made by a Hearing Panel pursuant to By-law 20.45.

ASSESSMENT OF COSTS

20.49 Assessment of Costs

(1) In addition to imposing any of the penalties set out in By-law 20.33, By-law 20.34 or By-law 20.45, the Hearing Panel may assess and order any Association Staff investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

(2) Costs shall not be assessed where the Hearing Panel has not made a finding against the Respondent based on any of the grounds set out at By-law 20.33(1) or By-law 20.34(1) or where an expedited decision is quashed upon review pursuant to By-law 20.48(1).

PART 11 - APPEALS OF DISCIPLINARY AND EXPEDITED REVIEW DECISIONS

20.50 Right of Appeal

(1) The Association and a Respondent may appeal a disciplinary decision made by a hearing Panel to an Appeal Panel.

(2) A Respondent may appeal an expedited review hearing decision made by a Hearing Panel to an Appeal Panel.

(3) An appeal may be made on questions of law or fact or both.

20.51 Composition of Appeal Panel

(1) The Appeal Panel shall be comprised of:

(a) one independent member of the Board of Directors;

(b) one industry member of the Board of Directors; and

(c) one former judge, who is a public member of a Hearing Committee of the District in which the disciplinary hearing or expedited review hearing was heard, or a former judge who is a public member of a Hearing Committee of a District, other than that in which the hearing or expedited review hearing was heard, if the two chairs of the respective Hearing Committees consent.

20.52 Appeal Process

(1) An application for appeal to the Appeal Panel must be made within thirty calendar days after release of the decision of the Hearing Panel.

(2) An application for appeal shall state the basis for such appeal pursuant to the IDA Rules of Practice and Procedure.

20.53 Effect of Appeal Application

(1) An appeal to the Appeal Panel from a decision of a Hearing Panel shall operate as a stay from the decision, unless ordered otherwise by the Appeal Panel.

(2) Notwithstanding subsection (1), an appeal to the Appeal Panel from an expedited review hearing decision shall not operate as a stay from the decision, unless ordered otherwise by the Appeal Panel.

(3) If the decision or order of the Hearing Panel suspends, expels or revokes registration of an Approved Person, the Approved Person shall be subject to strict supervision until release of the appeal decision.

20.54 Powers of Appeal Panel

(1) A hearing held under this Part shall be an appeal on the record, however,~~but~~ the Appeal Panel may receive new or additional evidence as it considers just.

(2) The Appeal Panel may:

(a) affirm any decision;

(b) quash any decision;

(c) vary any decision or penalty;

(d) make any decision that could have been made by a Hearing Panel pursuant to By-law 20.33, By-law 20.34,~~, and~~ By-law 20.45 and By-law 20.49~~.~~

(e) extend or limit the decision's application and effect to any Districts of the Association;

(f) order a new hearing; or

(g) make any order or decision that is considered just.

PART 12 - PUBLIC HEARINGS~~ AND DOCUMENTS~~

20.55 Public Hearings

(1) The following types of hearings shall be open to the public subject to subsection (2):

(a) settlement hearings, after a Settlement Agreement has been accepted by Hearing Panel, pursuant to By-law 20.36;

(b) disciplinary hearings pursuant to By-law 20.33 and By-law 20.34;

(c) expedited review hearings pursuant to By-law 20.47; and

(d) enforcement appeal hearings pursuant to By-law 20.50.

(2) The hearings prescribed in subsection (1) shall be held in the absence of the public where the Hearing Panel or Appeal Panel is of the opinion that the desirability of avoiding disclosure, of intimate financial, personal or other matters, in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be public.

PART 13 - RULE MAKING POWERS

20.56 Rule-making Powers of the Member Regulation Oversight Committee

(1) The Member Regulation Oversight Committee of the Association may enact, amend, repeal and re-enact, Rules of Practice and Procedure related to By-law 20.

PART 14 - TRANSITIONAL PROVISIONS

20.57 Transitional Provisions

(1) Subject to subsection (2), any provision of any By-law, ~~Rule,~~ Regulation, Ruling or Policy of the Association in effect immediately prior to the coming into effect of these Rules shall remain in full force and effect until such By-law, Rule, Regulation, Ruling or Policy, has been repealed.

(2) In the event of a conflict between this By-law and the provisions of any By-law, Regulation, Ruling or Policy of the Association that remains in effect after this By-law comes into effect, the provisions of this By-law shall prevail.

COROLLARY AMENDMENTS TO By-law NO. 2

MEMBERSHIP

2.1. The Executive Committee of the Board of Directors shall, in its discretion and pursuant to By-law 20, decide upon all applications for Membership but shall not consider or approve any application unless and until it has been considered by the applicable District Council.

2.2. Any individual, firm or corporation shall be eligible to apply for Membership if:

(a) In the case of an individual, the applicant is a resident of Canada; in the case of a firm, it is formed under the laws of one of the provinces or territories of Canada and, in the case of a corporation, it is incorporated under the laws of Canada or one of its provinces;

(b) The applicant carries on, or proposes to carry on, business in Canada as ~~a~~ relating to trading or advising in respect of securities or commodities~~securities dealer~~ to an extent acceptable to the applicable District Council and is registered or licensed in each jurisdiction in Canada where the nature of its business requires such registration or licensing, and is in compliance with such legislation and the requirements of any securities commission having jurisdiction over the applicant; and

(c) The applicant and its directors, officers, partners, investors and employees, and its holding companies, affiliates and related companies (if any), would comply with the By-laws and Regulations and Rulings and Policies and Forms of the Association that would apply to them if the applicant were a Member.

2.3. For the purposes of this By-law, the business of an individual, firm or corporation having a head office or principal place of business outside of Canada but carrying on business at one or more branch offices in Canada or through a subsidiary in Canada means only the portion of the business relating to operations in Canada.

2.4. An application for Membership shall be in such form and executed in such manner as the Board of Directors may prescribe and shall contain or be accompanied by such information and material as the By-laws, the Board of Directors and the applicable District Council may require.

2.5 The application for Membership~~prescribed form~~ shall be signed by the applicant and ~~also~~ by a proposer and seconder who are partners or directors of Members but not members of the Board of Directors. An a~~A~~pplication for Membership without a proposer and seconder can be considered by the District Council and approved by the Executive Committee of the Board of Directors but they can take into consideration the absence of a proposer and seconder in exercising their respective powers regarding the application.~~whichwhich is not so signed by a proposer and seconder shall be eligible for consideration by a District Council and approval by the Board of Directors but the absence of a proposer or seconder may be considered by such Council or the Board, as the case may be, in exercising their respective powers in respect of the application.~~

2.6 An application for Membership shall be accompanied by a non-refundable deposit of $2,000 on account of the Entrance Fee.

~~deposit on account of the Entrance Fee which shall not be refundable if the application is not approved by the Board of Directors as the case may be.~~

2.7 ~~In addition, if in connection with the review or consideration of any application for Membership~~If ~~,~~ a District Council or the Board of Directors is of the opinion that the nature of the applicant's business, its financial condition, the conduct of its business, the completeness of the application, the basis on which the application was made or any staff review in respect of the application in accordance with the By-laws of the Association has required, or can reasonably be expected to require, excessive attention, time and resources of the Association, such District Council or the Board of Directors may require the applicant to reimburse the Association for its costs and expenses which are reasonably attributable to such excessive attention, time and resources or provide an undertaking or security in respect of such reimbursement.

If an applicant is to be required to make such reimbursement of costs and expenses, the Association shall provide to the applicant a breakdown and explanation of such costs and expenses in sufficient detail to permit the applicant to understand the basis on which the costs and expenses are to be calculated.

2.8~~5~~. An application for Membership with any accompanying material shall be submitted to the Secretary, who shall make a preliminary review of the same and either:

(a) If such review discloses substantial compliance with the requirements of the By-laws and Regulations, transmit a copy to the Chair of the applicable District Council; or

(b) If such review discloses any substantial non-compliance with the requirements of the By-laws and Regulations, notify the applicant as to the nature of such non-compliance and request that the application for Membership be amended in accordance with the notification of the Secretary and refiled or be withdrawn. If the applicant declines so to amend the application for Membership or to withdraw the same, the Secretary shall forward the same to the Chair of the applicable District Council together with any accompanying material and a copy of the notification to the applicant.

2.9~~86.~~ The Secretary shall notify all Members of the receipt of the application for Membership. Any Member may within fifteen days from the date of the mailing of such notification ~~by the Secretary~~ lodge, with the Secretary, a written~~n~~ objection ~~in writing~~ to the admission of the applicant. The objection shall be forwarded to the application District Council for consideration along with the Membership application.~~and in such event the objection shall be forwarded to the applicable District Council with the application for Membership pursuant to By-law 2.9.~~

2.10~~97~~ The Secretary shall request the applicant to submit to the applicable District Association Auditors:

(a) Financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the applicable District Association Auditors may require), prepared in accordance with Form 1 and audited by an auditor acceptable to the applicable District Council;

(b) Interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under subparagraph (a) up to the most recent month prior to the date of the Membership application;

(c) An additional report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records;

(d) Such additional financial information, if any, relating to the applicant as the applicable District Association Auditors may in their discretion request.

2.11~~0~~ Notwithstanding the provisions of By-law 2.7, if an applicant qualifies for exemption from payment of the Entrance Fee pursuant to By-law 3, the applicable District Council may waive any of the conditions relating to an application for Membership that it considers appropriate in the circumstances of the particular case.

2.12~~1~~ Notwithstanding the provisions of By-law 2.7, if an applicant for Membership is a related company of a Member which confirms its intention to continue its Membership in the Association, the Vice-President, Financial Compliance and the District Association Auditors may determine, in their discretion, what financial information is required.

2.13~~27A~~. Notwithstanding the provisions of clause (a) of By-law 2.7, if an applicant is a member of The Canadian Venture Exchange, The Toronto Stock Exchange or The Montreal Exchange, such applicant may, in lieu of the financial statements referred to in said clause (a), submit to the applicable District Association Auditors its latest audited Form 1 together with

(a) A copy of the last monthly financial report filed by such applicant with the relevant stock exchange, and

(b) A "comfort" letter from the recognized stock exchange having primary audit jurisdiction over the applicant relating to the applicant's standing with such exchange in compliance, disciplinary and regulatory matters and in a form which is satisfactory to the applicable District Association Auditors.

If such applicant wishes to transfer to the audit jurisdiction of the Association the applicant shall submit to the applicable District Association Auditors audited financial statements as of a date not more than 90 days prior to the date of application for transfer.

2.14~~38~~. If and when the District Association Auditors have received the financial statements and report referred to in By-law 2.7 or Form 1, report and "comfort" letter referred to in By-law 2.7A, as the case may be, and are satisfied with respect to all relevant matters, then such District Association Auditors shall notify the Secretary who shall forthwith ~~thereafter~~ notify the applicable District Council.

2.15~~09~~. The Membership approval process as set out in By-law 20 shall apply once:

(a) the Secretary has notified Members pursuant to By-law 2.6 and the fifteen day period referred to therein has expired;

(b) the applicable District Council receives the Membership application from the Secretary;

~~(a)~~ (c) the applicable District Council receives the notification from the District Association Auditors pursuant to By-law 2.8;~~Upon notification of the Members by the Secretary pursuant to By-law 2.6 and the expiration~~ and~~of the fifteen day period referred to therein and upon receipt of the application for Membership from the Secretary and the notification from the District Association Auditors pursuant to By-law 2.8, the applicable District Council may;~~

(d) a period of six months or such lesser period as the District Council may in any particular case determine has expired.

~~(a)~~ At the expiration of a period of six months or such lesser period as the Council may in any particular case may determine, approve the application, notwithstanding any objection thereto that has been made by any Member;

~~(b) Approve the application subject to such terms and conditions as may be considered appropriate by the District Council if, in the opinion of the District Council, such terms and conditions are necessary in order to ensure that the By-laws,~~

Regulations, Rulings and Policies will be complied with by the applicant; and

(c) Refuse the application if, in the opinion of the District Council, having regard to such factors as it may consider relevant including, without limitation, the past or present conduct, business or condition of the applicant;

(i) It is not satisfied that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant;

(ii) The applicant is not qualified by reason of integrity, solvency, training or experience; or

(iii) Such approval is otherwise not in the public interest.

2.9A. If a District Council proposes to approve an application subject to terms and conditions pursuant to By-law 2.9(b) or to refuse an application pursuant to By-law 2.9(c):

(a) The applicant shall be provided with a statement of the grounds upon which the District Council proposes to approve the application subject to terms and conditions or to refuse an application, and the particulars of those grounds;

(b) The applicant shall be provided with a summary of the facts and evidence which are to be considered by the District Council; and

(c) The District Council shall permit the applicant to appear before it on reasonable notice, and with counsel or other representative, to call evidence and cross-examine witnesses in order to show cause why the application should not be subject to terms and conditions or should not be refused. A hearing held pursuant to this By-law 2.9A shall be open to the public except where the District Council determines that all or any part of the hearing should be held in camera in accordance with the principles set out in By-law 20.20.

2.9B. The applicable District Council shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant for Membership that may be considered appropriate by the District Council, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant. In the event that the District Council proposes to vary terms and conditions in a manner which would be more burdensome to the applicant, the provisions of By-laws 2.9A through 2.9G, inclusive, shall apply in the same manner as if the District Council was exercising its powers thereunder in regard to the applicant.

2.9C. If within 10 days of being notified of a proposal to approve an application subject to terms and conditions or to refuse an application, the applicant fails to request a hearing, the District Council may approve the application subject to the proposed terms and conditions or refuse the application. If the applicant requests a hearing, the District Council may, after permitting the parties to be heard, exercise any of its powers in accordance with By-law 2.9A.

2.9D. For a meeting of a District Council which is to be a hearing pursuant to this By-law 2, the appointment of members of the District Council for the hearing and the establishment of a quorum shall be in accordance with By-law 20.1. No member of a District Council who has participated in a decision to propose the imposition of terms and conditions on an applicant or the refusal of an application shall subsequently participate in a hearing pursuant to By-law 2.9A regarding that application.

2.9E. If, pursuant to the provisions of By-law 2.9A, a District Council approves an application subject to terms and condition or refuses to approve an application, the District Council may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such periods as the District Council provides.

2.9F. Any decision of a District Council at a hearing held pursuant to By-law 2.9A shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Secretary who shall then promptly give notice to the applicant. A copy of the decision shall accompany the notice.

2.9G. Any decision of a District Council pursuant to By-law 2.9A to either refuse to approve an application for Membership or to approve an application for Membership with terms and conditions attached, shall only have effect in the District where such District Council has jurisdiction unless and until otherwise ordered by the Board of Directors. In the event of such a decision by the District Council, the Board of Directors shall, upon application of either the Association or the applicant, made within 21 days of receiving notice of the decision of the District Council, review the said decision and either (a) confirm the decision.

its application to that District, (b) confirm the decision of the District Council and extend its application and effect to all Districts of the Association, or (c) make such other decision as the Board of Directors considers proper.

The Board of Directors shall not, pursuant to this By-law 2.9G,

(i) Confirm any decision of a District Council in its application to the District in which such District Council has jurisdiction; or

(ii) Extend the application and effect of the decision to another District Council of a District; or

(iii) Make any other decision as the Board of Directors considers proper if the securities commission having jurisdiction in such District directs that such decision shall not be confirmed, extended or made in respect of the District where it has jurisdiction, as the case may be.

~~Any review by the Board of Directors of a decision of a District Council pursuant to this By-law 2.9G shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the By-laws referred to therein, all of which shall apply mutatis mutandis.~~

2.16~~0~~. The Secretary ~~If and when the application is approved by the applicable District Council, the Secretary~~ shall compute the ~~amount of the~~ Annual Fee payable by the applicant ~~to be paid by the applicant~~ pursuant to By-law 3.2 and provide such computation to the Board of Directors~~.~~

~~2.11. Subject to the provisions of By-law 2.12, the Secretary shall submit to the next succeeding meeting of the Board of Directors each application which has been approved by the applicable District Council, together with the amount of the Annual Fee to be paid by the applicant.~~

~~2.12. Subject to the provisions of this By-law 2.12, the Board of Directors, shall thereupon consider the application at such meeting at which its decision as to admission of the applicant and the Annual Fee payable by it shall be expressed by resolution passed by the affirmative vote of at least a majority of all of the members of the Board of Directors. The Board of Directors shall have the power to confirm the decision of the District Council, to exercise any of the powers that a District Council may exercise under By-law 2.9 or to make any other decision as the Board of Directors considers proper. Any review, consideration or determination by the Board of Directors in respect of an application for Membership shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the By-laws referred to therein, all of which shall apply mutatis mutandis.~~

2.17~~13~~. The applicant shall become a Member if and when:

(a) ~~If and when t~~The application has been approved by the Board of Directors;

(b) ~~and~~ the applicant has been duly licensed or registered to carry on business relating to trading or advising in respect of securities or commodities~~as a securities dealer~~ under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business; and

(c) ~~,~~ the Entrance Fee and Annual fee has been paid in full. ~~and upon payment of the balance of the Entrance Fee and Annual Fee, the applicant shall become and be a Member.~~

~~2.14. Notwithstanding the foregoing, if an applicant qualifies for exemption from payment of the Entrance Fee and if the applicable District Council approves of such exemption and gives its approval to the application for Membership, the applicant shall be admitted to Membership without reference to the Board of Directors for final decision if all other conditions relating to an application for Membership have been duly complied with except such conditions, if any, as such applicable District Council may deem appropriate to be waived under the circumstances of any particular case.~~

~~2.15. Notwithstanding the provisions of By-laws 2.6, 2.9, 2.11, 2.12, and 2.13 wherever an applicant for Membership is a related company of a Member which confirms its intention to continue its Membership in the Association, the applicable District Council, after receipt of such financial information as the Vice-President, Financial Compliance and the District Association Auditors may require, shall either approve or disapprove the application and notify the Secretary of their decision. The Secretary shall thereupon notify by writing each member of the Board of Directors and the Board of Directors may, in its discretion, forthwith approve the application by instrument in writing signed by a majority of the members thereof.~~

2.18~~26~~. The Secretary shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Association.

2.19~~37.~~ The Secretary shall furnish to the securities commissions of all the provinces of Canada a list of Members and from time to time as changes occur in the Membership shall communicate such changes to such commissions.

COROLLARY AMENDMENTS TO By-law NO. 4

BRANCH OFFICE MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES

4.9. No person shall act as a sales manager, branch manager, assistant or co-branch manager unless the person:

(a) Has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6; and

(b) Has been approved by the Association pursuant to By-law 20.

COROLLARY AMENDMENTS TO By-law NO. 11

DISTRICT COUNCILS AND MEETINGS

District Councils and Meetings

11.~~2~~1~~1A.~~ Each District Council shall, at its first meeting after the Annual Meeting, appoint a roster of Hearing Committee members, pursuant to By-law 20, who have been nominated for appointment by the Nominating Committee of the District Council in accordance with Part 5 of By-law 20. Public members and retired industry members who are part of a Hearing Committee shall be eligible to vote only at meetings which are hearings pursuant to By-law 20.~~individuals (herein called "public members") who shall be eligible only to vote at meetings which are hearings held by the District Council pursuant to By-law 20. Only persons who are resident in the District, who are legally trained and who are, or have been, qualified as legal practitioners shall be eligible for selection~~

~~as public members. No person shall be eligible to be elected or remain a public member if he or she is or becomes during his or her term of office a Member, a partner, director, officer or employee of a Member or associate or affiliate or related company of a Member, an employee of the Association, a member of the District Council, or any associate thereof. The number of public members appointed to the roster shall be in the discretion of the District Council, and individuals may be added to or deleted from such roster from time to time in accordance with the requirements of the District Council.~~

~~11.1B Each District Council may, at its first meeting after the Annual Meeting, appoint a roster of retired industry members who shall be eligible only to vote at, meetings which are hearings, held by the District Council pursuant to By-law 20. Only persons who are resident in the District, who have retired in good standing as a partner, director, officer or employee of a Member and who were qualified to be appointed to District Council prior to retirement, shall be eligible for selection as retired industry members. The number of retired industry members appointed to the roster shall be at the discretion of the District Council, and individuals may be added to or deleted from such roster from time to time in accordance with the requirements of the District Council.~~

11.322. Each of the Ontario, Pacific and Quebec District Councils shall include, in addition to the members referred to in By-law 11.1, a member of the Financial Administrators Section of the Association as a voting member of such District Council.

11.433. The Chair of a Group Committee in a District shall be ex-officio a member of the District Council and either with or without voting power, as may be determined at the annual meeting of Members of the District.

11.544. Each District Council may make and from time to time amend or repeal such Regulations, not inconsistent with the Constitution or By-laws or Regulations of the Board of Directors, as it deems advisable for the organization and management of the affairs of such District. Regulations made by a District Council shall be effective and remain in force unless and until amended or repealed and all such Regulations for the time being in force shall be binding upon all Members of the District.

11.655. Each District Council shall meet at least once in each calendar month unless the Chair otherwise determines and shall report to the Association forthwith after each meeting in respect of any matters brought up at such meeting affecting the interests of the Association and shall from time to time report on all matters affecting the interests of the Association within its District. The Association shall submit all such reports to the Board of Directors.

11.65A. If all the members present at or participating in the meeting consent, a meeting of a District Council may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and a member of a District Council participating in such a meeting by such means is deemed for the purposes of the By-laws and Regulations to be present at that meeting.

11.76. Each District Council shall at its first meeting after the Annual Meeting select, in accordance with By-law 16.3, a panel of Members' Auditors for the ensuing year.

11.87. The Chair or any two members of a District Council may call a special meeting of such Council at any time.

11.98. A voting member of a District Council may by written proxy appoint a person to attend and vote as his or her representative at any meeting of such Council. No person shall be entitled to so act as a representative unless he or she is a member of the District Council or is a partner, director, officer or employee of a Member.

11.109. Three members of a District Council present in person shall form a quorum at any meeting thereof and any action taken by a majority of those members of the Council present at any meeting of the Council at which a quorum is present shall constitute the action of the Council.

11.1019A. A resolution consented to in writing by 80% of the members of the District Council shall be as effective as if passed at a duly constituted meeting of the District Council. The consent in writing of a member of the District Council may be given by telex, telegram or other similar means of written communication.

11.1120. Unless otherwise provided in the By-laws, a District Council shall not act for or in the name of the Association and shall not have any power to bind the Association except as may be authorized by resolution of the Board of Directors.

District Meetings

11.1231. A meeting of the Members of any District may be called by the District Council and shall be called by such Council on the requisition in writing of seven Members of such District. Notice of the time and place of any such meeting shall be given to the Members of the District. Two Members of the District entitled to vote, present personally or by a partner, director or officer shall be a quorum for any meeting of the Members of the District.

11.1342. Voting at any meeting of the Members of a District may be carried out in the same manner as provided for voting at meetings of the Association. Instruments of proxy for such purpose shall be lodged with the Chair of the District Council not later than 10:00 a.m. of the day of the meeting or of any adjournment thereof, and unless so lodged no proxy shall be used or acted upon.

District Standing and Sub-Committees

11.1453. Each District Council may appoint the following Standing Committees for its respective District to deal with the following matters:

(a) Nomination of Hearing Committee Members;

(b~~a~~) Education;

(c~~b~~) Provincial Government Legislation;

(d~~c~~) Municipal Administration and Finance;

(e~~d~~) Tax Policy;

(f~~e~~) Public Information and Speakers' Panel;

(g~~f~~) Stock Exchange Liaison; and

(h) Exemption Requests.

And may combine any two, but not more, of such Standing Committees into one Committee, in which case the Committee shall bear a suitable name indicating that it is a Joint Standing Committee.

11.1~~5~~4~~6~~. Each Standing Committee, including a Joint Standing Committee, shall consist of not less than three members, including one of the members of the District Council who shall be the Chair of such Standing Committee. The number of members of any Standing Committee which shall constitute a quorum at any meeting thereof shall be determined by the District Council.

11.1~~6~~5~~7~~. The Chair of each District Standing Committee shall be appointed by the incoming District Council immediately after the latter has been elected, and the members of each such District Standing Committee shall be appointed as soon as practicable thereafter. The Chair of each District Standing Committee shall report to the Association at least three weeks before the Annual Meeting the names of the members of the Committee of which he or she is Chair.

11.1~~7~~6~~8~~ Each District Council may also appoint such other Sub-Committees and for such other purposes within its District as it may in its discretion decide.

11.1~~8~~7~~.~~9 With the concurrence of the Board of Directors any District Council may authorize a Group Committee for any city or region within its respective District. A Group Committee shall bear the name of the city or region for which it is authorized coupled with the word "Group". Each such Group Committee and the Chair thereof shall be elected by the local Members in the city or region concerned.

11.20~~1~~9~~8~~. The life of any Standing Committee or other District Sub-Committee shall not extend beyond the term of office of the District Council by which it is appointed or authorized.

COROLLARY AMENDMENTS TO By-law NO. 28

DISCRETIONARY FUND

28.4. Payments from the Discretionary Fund may be made at such times and in such amounts as the Board of Directors shall authorize for all or any of the following purposes, namely:

(a) To fulfill all of the obligations of the Association to the Canadian Investor Protection Fund or under any guarantee given by the Association to a third party with respect to moneys payable by the Canadian Investor Protection Fund to such third party;

(b) In the event of the insolvency or other inability of any Member to meet its financial obligations to the public (and whether or not claims against such Member have been considered by the persons administering the Canadian Investor Protection Fund), to compensate in whole or in part such creditors of any such Member as the Board of Directors in its discretion may determine;

(c) Invest in the securities of, or provide financial assistance in such form and on such terms and conditions as the Board of Directors in its discretion may determine to, The Canadian Depository for Securities Limited;

(d) To pay the fees, expenses or other remuneration of the following members of a District Council Panel, Hearing Panel or Appeal Panel~~District Council~~:

(i) Members who have retired in good standing as employees of Members; and

(ii) Public members appointed pursuant to By-law 20.9~~11.1A.~~.

(e) To make payments for special non-recurring projects that (1) benefit the public and/or (2) generally benefit Canadian Capital Markets, as determined by the Board of Directors or Executive Committee.

COROLLARY AMENDMENTS TO By-law NO. 30

EARLY WARNING SYSTEM

~~30.6 The Vice President, Financial Compliance may, in his or her sole discretion, propose that a Member which is designated as being in the early warning category level 2 be prohibited from opening any new branch offices, hiring any new registered representative or investment representative, opening any new customer accounts or changing in any material respect the inventory positions of the Member. If the Vice-President, Financial Compliance proposes any such prohibitions pursuant to this By-law, he or she shall give written notice to the Member, and the Member may request in writing within 3 business days of receipt of notice that the proposal be reviewed by members of the applicable District Council. If no request for review is made, the prohibitions shall apply as of such date designated by the Vice-President, Financial Compliance occurring on or after the expiration of the said 3 business days. In the event that such a request is made, the Chair or~~

~~the Vice Chair of the applicable District Council shall designate at least two members of the District Council to review the order and to confirm, amend, or revoke the proposal of the Vice President, Financial Compliance within 7 business days of the request for review, or such longer time as may be agreed by the Member. The Member and the Vice President, Financial Compliance shall be permitted to make representations in such review in person (including by their respective staff, agents or counsel) or in writing. Pending the expiration of the said 3 business days notice by the Vice President, Financial Compliance and the result of the review, if applicable, the prohibitions shall not apply, but on becoming effective shall continue until the Member is so designated as not being in an early warning category Level 2.~~

30.6 The Senior Vice President, Member Regulation, or his or her delegate may impose prohibitions upon a Member who is designated, ~~pursuant to By-law 30,~~ as being in Early Warning Category Level 2 pursuant to Part ~~9~~7 of By-law 20.

30.7 The Senior Vice President Member Regulation, or his or her delegate, ~~Vice-President, Financial Compliance~~ shall promptly advise any other participating institution of the Canadian Investor Protection Fund of which a Member is also a member of the fact that the Member has been designated as being in early warning category level 2, the reasons for such designation and any sanctions or restrictions that have been imposed upon the Member pursuant to Part 9 By-law 20 ~~By-law 30.6~~ or By-law 19.

COROLLARY AMENDMENTS TO By-law NO. 33

REVIEW BY SECURITIES COMMISSIONS

33.1. Any Member or other person directly affected by a decision of the Board of Directors, ~~or~~ a District Council, Hearing Panel, Board Panel or Appeal Panel (other than a decision in respect of which the time for review or appeal under the By-laws has elapsed) in respect of which no further review or appeal is provided in the By-laws may request any securities commission with ~~given~~ jurisdiction in the matter ~~under its enabling legislation~~ to review such decision and notice in writing of such appeal shall be given forthwith to the National Hearing Coordinator.~~Secretary.~~

COROLLARY AMENDMENTS TO By-law NO. 35

INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS

35.1. General

(a) For the purposes of this By-law 35:

(i) "Carrying Broker" means the Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;

(ii) "Introducing Broker" means the Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;

(iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.

(b) A Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this By-law and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:

(i) Another Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(c) A Member shall not introduce accounts to any person other than:

(i) Another Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(d) For the purposes of this By-law 35, arrangements whereby employees of a Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Member shall not be considered to be introducing/carrying arrangements for the purposes of this By-law 35, provided that pursuant to the arrangement, the employees of the Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the By-law.

(e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to

which it introduces clients defining, to an extent determined from time to time by the Association the rights and obligations between them.

(i) Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Association and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Senior Vice-President, Member Regulation;

(ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;

(iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;

(iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and

(v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.

(f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all By-laws, Regulations, Rulings, Policies and Forms of the Association.

(g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this By-law 35.

(h) A Member may apply for an exemption from the requirements of By-law 35 in accordance with By-law 20.25. ~~The District Council, may, in its discretion, exempt a Member from any of the requirements of this By-law 35.~~

35.6. Exemption for Arrangements Between a Member and a Foreign Affiliate

Notwithstanding the provisions of this By-law 35, on the application of a Member pursuant to By-law 20.25~~,~~ the applicable District Council~~the applicable District Council~~ may exempt any arrangements between a Member and a Member's foreign affiliate pursuant to which the Member carries accounts of the foreign affiliate or its clients from the requirements of this By-law 35 (other than By-law 35.6) provided that the arrangements meet the following criteria:

(a) Exemption Applicable to Affiliates of the Member

The exemption in this By-law 35.6 shall apply only to arrangements between a Member and a foreign affiliate of the Member. The Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

(b) Disclosure of Relationship to Clients of Foreign Affiliate

The Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Association, to each of the foreign affiliate's clients whose accounts are being carried by the Member, outlining the relationship between the Member and the Member's foreign affiliate and the relationship between the Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction

The exemption provided in this By-law 35.6 shall only be granted by the applicable District Council upon receipt by the Association of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Member and the Member's foreign affiliate.

(d) Responsibility for Compliance with Association Requirements

Foreign affiliates of a Member that have an arrangement with the Member as set out in this By-law 35.6, are not required to comply with the requirements of the By-laws, Regulations, Rulings, Policies and Forms of the Association solely as a result of such an arrangement.

(e) Reporting of Balances

In calculating its risk adjusted capital required under By-law 17.1 and Form 1, the Member shall report one balance owing to or from its foreign

affiliate in relation to the accounts of the clients which the Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

(f) Segregation of Securities

The Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the By-laws and Regulations.

(g) Insurance

The Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Regulation 400.2.

COROLLARY AMENDMENTS TO POLICY NO. 6

PROFICIENCY AND EDUCATION:

PART I -- PROFICIENCY REQUIREMENTS

B. GENERAL EXEMPTION

Notwithstanding this Part I, the applicable District Council, pursuant to By-law 20.24, may ~~from time to time~~ exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

PROFICIENCY AND EDUCATION:

PART II -- COURSE AND EXAMINATION EXEMPTIONS

C. DISCRETIONARY EXEMPTIONS

The applicable District Council, pursuant to By-law 20.24, may grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.

RULES OF PRACTICE AND PROCEDURE

PART A: GENERAL MATTERS

RULE 1: INTERPRETATION AND APPLICATION

1.1 Application

(1) Part A of the Rules applies to all proceedings brought pursuant to By-law 20.

(2) Part B of the Rules applies to enforcement proceedings brought pursuant to By-law 20, Part 10.

(3) Part C of the Rules applies to appeals from decisions of Hearing Panels in disciplinary hearings and expedited hearing, brought pursuant to By-law 20.50.

(4) ~~(4)~~ Part D of the Rules applies to approval and exemption request review hearings brought ~~held brought~~ pursuant to By-law 20, Parts 7 and 8.

(5) Part E of the Rules applies to early warning proceedings brought pursuant to By-law 20, Part 9.

1.2 General Principle

These Rules shall be interpreted and applied to secure a fair hearing and a just determination in the interests of justice, with a view to securing such result in a timely and cost effective manner. ~~the quickest and least expensive determination of every proceeding consistent with the requirements of a fair hearing.~~

1.3 Definitions

In these Rules:

"Appeal Panel" means a panel presiding over an appeal as set out in By-law 20.50.

"Appellant" means a party bringing an appeal.

"Association" means the Investment Dealers Association of Canada.

"Board Panel" means a Panel presiding over a membership approval review hearing as set out in By-law 20.22(3).

"Chair" means a public member of the Hearing Panel.

"C~~c~~ommencing document," means Notice of Hearing, Notice of Application, Notice of Motion, Notice of Request for Review and Notice of Appeal.

"District Council Panel" means a panel presiding over an exemption ~~request~~ review hearing as set out in By-law 20.26(4).

"D~~d~~ocument" means any information recorded or stored by means of any device including audiotape, videotape, chart or graph.

"Hearing" means any hearing conducted pursuant to By-law 20.

"Hearing Committee" means public and industry members of a District Council of the Association or other individuals, as prescribed by Part 5 of By-law 20, appointed for the purpose of selection to Hearing Panels and Appeal Panels. ~~, except Board Panels.~~

"Hearing Panel" means a Panel presiding over individual approval review hearings, early warning level 2 review hearings, disciplinary hearings, settlement hearings, expedited hearings and expedited review hearings as set out in By-law 20.13.

"H~~h~~oliday" shall include:

(i) any Saturday or Sunday;

(ii) any federal statutory holiday;

(iii) any Provincial Civic holiday (applicable to the jurisdiction of the matter in consideration);

(iv) any special holiday proclaimed by the Governor General or the Lieutenant Governor.

"Member" means a member firm of the Association.

"National Hearing Coordinator" means the individual responsible for the administration of all proceedings including being responsible for the selection of the Panels, the scheduling of hearings, and custody and control of documents.

"Panel" means a Hearing Panel, District Council Panel, Board Panel or Appeal Panel.

"P~~p~~arty" means the Association, Respondent, Requesting Party, Responding Party or Appellant.

"Presiding Officer" means a public member of the Hearing Committee appointed to hear a motion or ~~pre-hearing conference~~Pre-hearing Conference.

"P~~p~~roceedings" means all steps in enforcement, registration, appeal or early warning matters, from the issuance of the commencing document to the final disposition of the matter.

"Requesting Party" means a party requesting any review hearing pursuant to By-law 20.

"Respondent" means an approved individual or Member named in a Notice of Hearing, Settlement Agreement, Notice of Application or a party named in the Notice of Appeal against whom the appeal is brought.

"Responding Party" means a party responding to a Request for Review or a Notice of Motion.

"Rules" means the Association Rules of Practice and Procedure

1.4 Interpretation of Rules

(1) For the purpose of these Rules~~:~~

~~(a)~~ any term in the singular includes the plural and any term in the plural includes the singular, if such use would be appropriate; and

~~(b) any use of the masculine or feminine shall be interpreted as non-gender specific.~~

1.5 Procedural Power of the Panel

~~(1)~~ A Panel: ~~may:~~

(a) ~~may~~ may make any determination, hold any hearing and make any decision, order, interim order or impose any terms required to implement such order, required or permitted under these Rules;

(b) ~~may~~ is not bound by any legal or technical rules of evidence and may admit as evidence in a hearing, whether or not given or proven under oath or affirmation, anything that is relevant to the proceedings; ~~, in its discretion, admit any evidence, information, testimony, document, affidavit or thing, whether or not given or proven under oath or affirmation and whether or not inadmissible by any statute or law;~~

(c) ~~may~~ may require presentation of evidence or testimony under oath or affirmation; and~~.~~

(d) may waive any procedural requirement set out in these Rules upon the request of one or both parties.

~~(a) exercise any power under these Rules;~~

~~(b) issue general or specific procedural directions; and~~

~~(c) waive any procedural requirement upon the request of one or both parties.~~

~~(2) A Panel may hear any evidence it considers relevant to the matter before it and is not bound by the technical legal rules of evidence.~~

1.6 Irregularity of Form

(1) ~~a~~ ~~o~~ No document, hearing, or decision in a proceeding is ~~invalid~~ invalid only because of a defect or irregularity in form.

RULE 2: TIME

2.1 Computation of Time

(1) In the computation of time under these Rules:

(a) if a period of less than 7 days is prescribed, holidays are not counted;

(b) if the time for doing an act under these Rules expires on a holiday, the act may be done on the next day that is not a holiday.

2.2 Extension or Abridgment of Time

(1) Any time period prescribed by these Rules may be extended or abridged as follows:

(a) on consent of the parties before the expiration of a prescribed time period; or

(b) upon order of the Panel before or after the expiration of a prescribed time period, on such terms and conditions as the Panel considers appropriate.

RULE 3: APPEARANCE AND REPRESENTATION

3.1 Representation before a Panel

In any proceeding before a Panel, a party may appear on her/his own behalf or may be represented by counsel or agent.

3.2 Change in Representation

A party may change representation by serving and filing written notice pursuant to Rule 5.

3.3 Withdrawal by Counsel or Agent

(1) Counsel or agent for a party may withdraw as counsel or agent by serving and filing written notice pursuant to Rule 5 and by serving notice on the subject party.

(2) Where counsel or agent for a party seeks to withdraw as counsel or agent less than 30 days prior to the matter being heard by a Panel, leave must be obtained on motion brought pursuant to Rule 8.

(3) Where leave is granted and a party appoints new counsel or ~~an~~ agent, the party shall then comply with Rule 3.2.

RULE 4: NATIONAL HEARING CO-ORDINATOR

4.1 Role of National Hearing Coordinator

The National Hearing Coordinator shall, pursuant to By-law 20.14, administer all proceedings brought in accordance with these Rules.

4.2 Parties to follow Practice Direction

The parties shall communicate and file documents with the National Hearing Coordinator or her/his designate in accordance with these Rules and the Notes and Practice Direction contained in Schedule "A".

RULE 5: SERVICE AND FILING

5.1 Parties to be Served

Any document required to be served under these Rules shall be served on every adverse party to the proceeding.

5.2 Manner of Service -- Notice of Hearing

(1) A Notice of Hearing shall be served by one of the following methods:

(a) by personal service on the Respondent;

(b) by delivering a copy of the Notice of Hearing by registered mail to the Respondent's last known address as recorded in the Association's Registration file; or

(c) where a Respondent is represented by counsel, by delivering a copy of the Notice of Hearing to the Respondent's counsel with the consent of counsel.

5.3 Manner of Service -- Other Documents

Where these Rules require a document other than a Notice of Hearing to be served, it may be served by mail, courier, facsimile, or by any other means effective to deliver a copy of the document.

5.4 Effective Date of Service

(1) Service of a document is deemed effective:

(a) if served personally, on the same day of service;

(b) if sent by mail, on the fifth day after the day of mailing;

(c) if sent by facsimile, on the same day as the transmission unless received after 4 p.m., in which case the document will be deemed to have been served on the next day that is not a holiday; or

(d) if sent by courier, on the second day after the day on which the document was given to the courier.

5.5 Proof of Service

The Hearing Panel may accept proof of service of a document by a sworn statement of the person who served the document.

5.6 Filing

A document required to be filed under these Rules shall be filed by delivering four (4) copies to the National Hearing Coordinator or her designate by personal delivery, mail, courier, or facsimile.

5.7 Required Information -- Service and Filing

(1) A party serving or filing a document shall include the following information:

(a) the name of the proceeding to which the document relates;

(b) the party's name, address, telephone number and facsimile number, unless the party has counsel or an agent;

(c) if the party has counsel or an agent, the name, address, telephone number and fax number of the counsel or agent; and

(d) the name of the party, counsel or agent to be served with the document.

PART B: ENFORCEMENT PROCEEDINGS

I. Disciplinary Proceedings

RULE 6: COMMENCEMENT OF PROCEEDINGS

6.1 Notice of Hearing

Discipline proceedings pursuant to By-law 20.30 shall be commenced by ~~the issuance of~~ a Notice of Hearing.

6.2 Designation of Track

When issuing a Notice of Hearing, the Association shall designate the discipline proceeding as on a Standard Track or Complex Track, considering the factors set out in Rule 6.3.

6.3 Factors to Consider Regarding Track Designation

(1) In designating a discipline proceeding as on the Standard Track or Complex Track, the Association shall consider:

(a) the complexity of the factual and legal issues;

(b) the anticipated number of documents to be introduced at the hearing;

(c) the anticipated number of witnesses at the hearing;

(d) the likelihood of expert evidence at the hearing;

(e) the anticipated duration of the hearing; and

(f) any other factors that the Association considers relevant to the procedural or substantive complexity of the proceeding.

6.4 Service of Notice of Hearing

(1) For a discipline proceeding designated on the Standard Track, the Association shall serve a Notice of Hearing at least 45 days prior to the date of the hearing.

(2) For a discipline proceeding designated on the Complex Track, the Association shall serve a Notice of Hearing at least 10 days before a first appearance before a Hearing Panel for purposes of setting a date for the hearing and considering any other scheduling matters.

6.5 Contents of Notice of Hearing

(1) A Notice of Hearing shall state:

(a) the purpose of the hearing;

(b) the designation of the proceeding as on the Standard Track or Complex Track;

(c) the date, time and location of the hearing or a first appearance to set a date for a hearing;

(d) the alleged violations of Association By-laws, Regulations, Policies and any applicable statute or regulations thereof;

(e) the facts in support of the alleged violations;

(f) that, the Respondent shall provide a Response to the Notice of Hearing in accordance with Rule 7;

(g) that, if the Respondent does not provide a Response in accordance with Rule 7, the Hearing Panel may proceed without the Respondent's participation and the Respondent will not be entitled to any further notice of the hearing;

(h) the type and range of penalties that may be imposed by the Hearing Panel; and

(i) any other information the Association may consider advisable.

RULE 7: RESPONSE TO NOTICE OF HEARING

7.1 Service of Response

(1) For a discipline proceeding designated on the Standard Track, the Respondent shall serve a Response within 20 days from the effective date of service of the Notice of Hearing.

(2) For a discipline proceeding designated on the Complex Track, the Respondent shall serve a Response within 30 days from the effective date of service of the Notice of Hearing.

7.2 Failure to Serve Response

(1) If a Respondent served with a Notice of Hearing fails to serve a Response in accordance with Rule 7.1:,

(a) the Association may proceed with the hearing of the matter as set out in the Notice of Hearing without further notice to and in the absence of the Respondent; and

(b) the Hearing Panel may, accept as proven the facts and violations alleged by the Association in the Notice of Hearing, and may impose penalties and costs pursuant to By-laws 20.33, 20.34 and 20.49.

7.3 Contents of Response

(1) A Response shall state:

(a) the facts alleged in the Notice of Hearing which the Respondent admits;

(b) the facts alleged in the Notice of Hearing which the Respondent denies and the grounds for denial; and

(c) all other facts relied upon by the Respondent.

7.4 Deficient Response

(1) Where the Respondent fails to:

(a) specifically deny a fact; or

(b) provide grounds for denial of a fact,

the Hearing Panel may accept as proven any facts alleged by the Association in the Notice of Hearing.

RULE 8: MOTIONS

8.1 Notice of Motion

Motions shall be commenced by a Notice of Motion.

8.2 Timing of Motion

A motion may be brought at any time prior to or after the commencement of a proceeding.

8.3 Motions -- To Whom to be Made

(1) A motion shall be heard by a Presiding Officer prior to the commencement of the proceeding and shall be heard by the Hearing Panel after the commencement of the proceeding.

(2) A Presiding Officer shall not be a member of the Hearing Panel presiding over the subsequent hearing of the proceeding unless all parties consent in writing.

8.4 Motion Hearing Date

Prior to serving the Notice of Motion, the party bringing the motion shall obtain a date from the National Hearing Coordinator.

8.5 Contents of Notice of Motion

(1) The Notice of Motion shall state:

(a) the date of the motion;

(b) whether the motion is to be heard by a Presiding Officer or the Hearing Panel;

(c) the specific relief sought;

(d) the grounds for the relief sought, including reference to any Association By-laws, Regulations, Policies and Rules, and statutory provisions; and

(e) the list of evidence to be relied upon.

8.6 Motion Record

(1) A Motion Record shall contain:

(a) the notice of motion; and

(b) copies of the evidence to be relied upon.

8.7 Service and Filing of Motion Record

(1) Subject to Rule 8.7(2), a Motion Record shall be served and filed at least 14 days prior to the date of the motion.

(2) When a motion is brought to determine an issue arising during the hearing, the period of notice shall be at the direction of the Hearing Panel.

8.8 Response to Notice of Motion

The Responding Party may serve and file a Responding Record, at~~s~~ least 7 days prior to the date of the motion, subject to Rule 8.7 (2).

8.9 Contents of Responding Record

(1) The Responding Record shall contain:

(a) a statement of the reasons the relief ought not to be granted; and

(b) copies of additional evidence or other materials to be relied upon.

8.10 Public Domain

(1) All motions shall be open to the public unless the Presiding Officer or Hearing Panel orders the exclusion of the public.

(2) ~~(2)~~ An order excluding the public shall only be made where ~~when~~ the Presiding Officer or Hearing Panel is of the opinion that the desirability of avoiding disclosure of intimate financial, personal or other matters, in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that motions be public. ~~view that serious harm or injustice to any person justifies a departure from the general principle that motions shall be open to the public.~~

RULE 9: ~~PRE-HEARING CONFERENCE~~PRE-HEARING CONFERENCES

9.1 Initiation of ~~Pre-Hearing Conference~~Pre-hearing Conference

(1) At any time prior to the date of a hearing, a party may request a ~~p~~Pre-h~~h~~earing C~~c~~onference by serving and filing a Request for a ~~Pre-hearing Conference~~Pre-hearing Conference.

(2) A Request for a ~~Pre-hearing Conference~~Pre-hearing Conference shall include the party's proposal as to the form of the P~~p~~re-hearing C~~c~~onference pursuant to Rule 9.3.

(3) If an adverse party objects to the proposed form of the P~~p~~re-hearing C~~c~~onference, the adverse party shall advise all parties and the National Hearing Coordinator of the objection within 48 hours from the effective date of service of the Request for a ~~Pre-hearing Conference~~Pre-hearing Conference.

(4) No subsequent ~~p~~Pre-hearing C~~c~~onference shall take place unless by consent of the parties.

9.2 Presiding Officer

(1) A ~~pre-hearing conference~~Pre-hearing Conference shall be held before a Presiding Officer.

(2) A Presiding Officer shall not be a member of the Hearing Panel presiding over the subsequent hearing of the same proceeding unless all parties consent in writing.

9.3 Form of ~~Pre-hearing Conference~~Pre-hearing Conference

(1) A ~~pre-hearing conference~~Pre-hearing Conference may be held in person or by telephone.

(2) If the parties are unable to agree to the form of the ~~pre-hearing conference~~Pre-hearing Conference, the ~~pre-hearing conference~~Pre-hearing Conference shall be held in person.

9.4 ~~Pre-hearing Conference~~Pre-hearing Conference Date

Notice of the date, time, location (if applicable) and the form of the ~~pre-hearing conference~~Pre-hearing Conference will be provided to the parties by the National Hearing Coordinator.

9.5 Issues to be Considered

(1) The Presiding Officer may consider any issue that may assist in the just and expeditious disposition of the proceeding including the following:

(a) settlement of the proceeding;

(b) simplification or clarification of any issues;

(c) disclosure of documents;

(d) agreed statements of fact;

(e) admissibility of evidence;

(f) identification and scheduling of motions;

(g) identification and scheduling of anticipated steps in the proceeding; and

(h) any other procedural or substantive matters.

9.6 Orders at ~~Pre-hearing Conference~~Pre-hearing Conference

(1) The Presiding Officer may make such order with respect to the conduct of the proceeding, as she/he deems appropriate.

(2) Any orders made by the Presiding Officer shall be in writing and binding on all parties.

(3) The Presiding Officer shall provide the order to the National Hearing Coordinator who shall then distribute copies of the order to the parties.

9.7 Inaccessible to the Public

A ~~pre-hearing conference~~Pre-hearing Conference shall be held in the absence of the public.

9.8 No Communication to Hearing Panel

Communications made at a ~~pre-hearing conference~~Pre-hearing Conference shall not be disclosed to the Hearing Panel presiding over the hearing of the proceeding except those communications that are disclosed in an order made pursuant to Rule 9.6.

RULE 10: EXCHANGE OF DOCUMENTS

10.1 Association Duty to Disclose

Nothing in this Rule 10 derogates from the Association's obligation to disclose all materials as required by common-law, as soon as reasonably practicable after the issuance of the Notice of Hearing.

10.2~~1~~ Obligation to Provide Documents and Other Items -- Association

(1) The Association shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 14 days in a Standard Track proceeding and 60 days in a Complex Track proceeding, prior to the date of the hearing:

(a) serve upon the Respondent:

(i) copies of all documents; and

(ii) a list of items, other than documents intended to be relied upon at the hearing; and

(b) make available for inspection to the Respondent all items referred to in subsection (a) (ii).

10.3~~2~~ Obligation to Provide Additional Documents and Other Items -- Respondent

(1) The Respondent shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 14 days in a Standard Track proceeding and 60 days in a Complex Track proceeding, prior to the date of the hearing:

(a) serve upon the Association:

(i) copies of documents; and

(ii) a list of items, other than documents, not provided by the Association, that are intended to be relied upon at the hearing; and

(b) make available for inspection to the Association items referred to in subsection (a) (ii).

10.4~~3~~ Failure to Exchange Documents

If a party fails to provide a document or item pursuant to Rules 10.2~~.1~~ or 10.3~~.2~~, the party may not refer to or tender as evidence at the hearing~~,~~ the document or item without leave of the Hearing Panel and on such terms as the Hearing Panel considers appropriate.

~~**10.4 Association Duty to Disclose**~~

~~Nothing in this Rule 10 derogates from the Association's obligation to make disclosure as is required by law.~~

RULE 11: WITNESS LISTS AND STATEMENTS

11.1 Provision of Witness List and Statements

(1) Subject to Rule 12, a party to a proceeding shall serve:

(a) a list of the witnesses the party intends to call at the hearing; and

(b) in respect of each witness named on the list, either:

(i) a witness statement signed by the witness;

(ii) a transcript of a recorded statement made by the witness (other than a Respondent); or

(iii) if no signed witness statement or transcript referred to in subsection (i) and (ii) is available, a summary of the evidence that the witness is expected to give at the hearing.

(2) The Association shall comply with the requirements of Rule 11.1(1), at least 10 days in a Standard Track proceeding and at least 45 days in a Complex Track proceeding, prior to the date of the hearing.

(3) The Respondent shall comply with the requirements of Rule 11.1(1), at least 7 days in a Standard Track proceeding and at least 40 days in a Complex Track proceeding, prior to the date of the hearing.

11.2 Contents of Witness Statements

(1) A witness statement, transcript of a recorded statement or summary of anticipated evidence as required by Rule 11.1(1) shall contain:

(a) the substance of the anticipated evidence of the witness;

(b) a reference to documents it is anticipatedthat the witness will refer to; and

(c) the name and address of the witness, or in the alternative, the name of a person through whom the witness can be contacted.

11.3 Failure to Provide Witness List or Statement

If a party fails to comply with Rule 11.1, the party may not call the witness at the hearing without leave of the Hearing Panel and on such terms as the Hearing Panel considers appropriate.

11.4 Incomplete Witness Statement

A party may not call a witness to testify to matters not disclosed pursuant to Rule 11.2 without leave of the Hearing Panel and on such terms as the Hearing Panel considers appropriate.

RULE 12: EXPERT WITNESS

12.1 Expert Report

A party that intends to call an expert witness shall serve a written expert report signed by the expert at least 60 days prior to the date of the hearing.

12.2 Expert Report in Response

A party who intends to call an expert witness to respond to the expert witness of another party shall serve a written expert report at least 20 days prior to the date of the hearing.

12.3 Contents of Expert Report

(1) An expert report shall contain:

(a) the name, address and qualifications of the expert; and

(b) the substance of the opinion of the expert.

12.4 Failure to Provide Expert's Report

A party that fails to comply with Rules 12.1, 12.2 or 12.3 may not refer to or tender as evidence the expert's report without leave of the Hearing Panel and on such terms as the Hearing Panel considers appropriate.

12.5 Abridgement of Time in Standard Track Proceeding

In a Standard Track proceeding, a party may seek leave to abridge the time requirements as set out in Rules 12.1 and 12.2.

RULE 13: CONDUCT OF DISCIPLINARY HEARINGS

13.1 Rights of Respondent

(1) A Respondent is entitled at the hearing:

(a) to attend and be heard in person;

(b) to be represented by counsel or an agent, as set out in Rule 3;

(c) to call and examine witnesses;

(d) to conduct cross-examination of witnesses; and

(e) to make submissions.

13.2 Order of Presentation

(1) The order of presentation at a hearing shall be as follows:

(a) the Association may make an opening address and shall then call evidence;

(b) at the conclusion of the Association's evidence, the Respondent may make an opening address and shall then call evidence;

(c) at the conclusion of the Respondent's evidence, the Association may call reply evidence;

(d) subject to paragraph (e), upon the conclusion of the evidence, the Respondent shall make a closing address, followed by the closing address of the Association; and

(e) if the Respondent calls no evidence, the Association shall make a closing address, followed by the closing address of the Respondent.

(2) Where there are two or more Respondents separately represented, the order of presentation shall be as directed by the Hearing Panel.

(3) Where a Respondent is represented by counsel or an agent, the right to address the Hearing Panel shall be exercised by the counsel or agent.

13.3 Evidence by Witnesses

(1) Subject to Rule 13.4, witnesses at a hearing shall provide oral testimony under oath or solemn affirmation.

(2) (2) The Chair of the Hearing Panel shall exercise reasonable control over the scope and manner of questioning of a witness to protect the witness from undue harassment or embarrassment and may reasonably limit further

examination or cross-examination of a witness where it is satisfied that the examination or cross-examination has been sufficient to disclose fully and fairly all matters relevant to the issues in the proceeding.~~disallow a question put to a witness that is vexatious or irrelevant to any matter at issue in the hearing.~~

13.4 Evidence by Sworn Statement

The Hearing Panel may allow the evidence of a witness or proof of a particular fact or document to be given by sworn statement, unless an adverse party reasonably requires the attendance of the witness at the hearing for cross-examination.

13.5 Where Respondent Fails to Attend Disciplinary Hearing

(1) Where a Respondent, having been served with a Notice of Hearing, fails to attend a disciplinary hearing, the Hearing Panel may proceed in the absence of the Respondent and may accept as proven the facts and violations alleged by the Association in the Notice of Hearing.

(2) Upon making a finding of the violations as alleged in the Notice of Hearing, the Hearing Panel may immediately hear submissions of the Association regarding an appropriate penalty and may impose such penalty, as it deems appropriate, pursuant to By-law 20.33 and 20.34.

II. Settlement Proceedings

RULE 14: SETTLEMENT AGREEMENTS

14.1 Contents of Settlement Agreements

(1) A Settlement Agreement pursuant to By-law 20.35 shall be in writing, signed by or on behalf of the parties and contain:

(a) a statement of the violations admitted to by the Respondent with reference to specific By-laws, Regulations, or Policies of the Association, or any applicable statutory provisions;

(b) a statement of the relevant facts;

(c) a statement of the penalties and costs to be imposed upon the Respondent;

(d) a statement that the Respondent waives all rights to any further hearing, appeal and review;

(e) a statement that the Settlement Agreement is conditional upon the acceptance of the Hearing Panel; and

(f) such other matters not inconsistent with subsections (a) to (e).

RULE 15: SETTLEMENT HEARINGS

15.1 Settlement Hearing Date

(1) Upon the entering into of a Settlement Agreement, the Association shall request a date for the settlement hearing from the National Hearing Coordinator.

(2) The National Hearing Coordinator shall give written notice of the settlement hearing date to all parties.

15.2 Settlement Hearing Materials

The Association shall serve and file a copy of the Settlement Agreement and any supporting materials as soon as practicable and in any case not later than 2 days prior to the date of the settlement hearing.

15.3 Facts not to be disclosed

(1) Unless the parties consent, facts not contained in the Settlement Agreement cannot be referred to or disclosed to the Hearing Panel.

(2) If a Respondent is not present at the settlement hearing, the Association may disclose additional relevant facts, at the request of the Hearing Panel.

III. Expedited Proceedings

RULE 16: EXPEDITED HEARINGS

16.1 Notice of Application

An expedited proceeding pursuant to By-law 20.41, shall be commenced by ~~the issuance of a~~ Notice of Application.

16.2 Contents of Notice of Application

(1) A Notice of Application shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought including reference to any Association By-laws, Regulations, Policies and Rules, and statutory provisions; and

(c) list the evidence to be relied upon.

16.3 Expedited Hearing Date

Prior to the issuance of the Notice of Application, the Association shall obtain from the National Hearing Coordinator a date, time and location for the expedited hearing.

16.4 Evidence Relied Upon

(1) Evidence relied upon for the application may be provided by sworn statement.

(2) The Hearing Panel may require the deponent of the sworn statement to attend and provide oral evidence at the hearing.

16.5 Service Not Required

The Notice of Application is not required to be served on the Respondent.

16.6 Application Record

(1) An Application Record shall contain:

(a) the Notice of Application; and

(b) copies of the evidence to be relied upon,

and shall be filed as soon as practicable.

16.7 Order

(1) Where the Hearing Panel makes an order at the conclusion of an expedited hearing, the Association shall forthwith:

(a) file a copy of the order and reasons; and

(b) serve a copy of the order and reasons of the Hearing Panel and Application Record.

(2) At the time of serving the order, the Association shall advise the Respondent in writing of the right to request a review pursuant to By-law 20.47.

RULE 17: APPOINTMENT OF MONITOR

17.1 Notice of Application

An application for the appointment of a Monitor pursuant to By-law 20.46 shall be commenced by~~ the issuance of~~ a Notice of Application.

17.2 Application Procedure

An application for the appointment of a Monitor shall follow the procedure set out in Rule 16.

17.3 Factors to Consider in Appointment of Monitor

(1) In exercising its discretion under By-law 20.46 to appoint a Monitor, a Hearing Panel shall consider:

(a) the harm or potential harm to the investing public;

(b) the financial solvency of the Member;

(c) the adequacy of internal controls and operating procedures;

(d) the Member's ability to maintain regulatory capital requirements;

(e) any previous suspension of the Member for failing to meet regulatory capital requirements;

(f) the costs to the Member associated with the appointment of the Monitor; and

(g) any other relevant factors.

17.4 Eligible Monitors and Costs

(1) In exercising its discretion under By-law 20.46, a Hearing Panel shall:

(a) appoint a Monitor on such terms as it considers appropriate;

(b) appoint a Monitor from the roster of eligible Monitors set out in Schedule "B"; and

(c) fix the costs of the appointment of the Monitor in accordance with the fee schedule set out in Tariff "A".

RULE 18: EXPEDITED REVIEW HEARINGS

18.1 Notice of Request for Review

(1) A request for a review of an expedited hearing pursuant to By-law 20.47 shall be commenced by a Notice of Request for Review.

(2) The Requesting Party shall serve and file a Notice of Request for Review within 30 days from the effective date of service of the order made at the hearing.

18.2 Contents of Notice of Request for Review

(1) A Notice of Request for Review shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought, including reference to any Association By-laws, Regulations, Policies, and Rules, and statutory provisions; and

(c) list the evidence to be relied upon.

18.3 Review Hearing Date

(1) Notice of the date, time and location of the review hearing will be provided to the parties by the National Hearing Coordinator.

(2) The review hearing date shall be within 21 days after the filing of the Notice of Request for Review, as required by By-law 20.47(2).

18.4 Review Record

(1) The Requesting Party shall serve and file a Review Record at least 10 days prior to the date of the review hearing.

(2) The Review Record shall contain:

(a) the Notice of Request for Review;

(b) the Notice of Application filed in respect of the expedited hearing;

(c) the order and reasons made at the expedited hearing; and

(d) copies of the evidence to be relied upon.

18.5 Reply

(1) The Association may serve and file a Reply at least 2 days prior to the date of the review hearing.

(2) The Reply shall be restricted to statements and documents responding to new issues raised by the Respondent in the Review Hearing Record.

RULE 19: CONDUCT OF EXPEDITED REVIEW HEARING

19.1 Rights of Parties

(1) A party is entitled at the hearing:

(a) to attend and be heard in person;

(b) to be represented by counsel or agent;

(c) to introduce evidence; and

(d) to make submissions relevant to the issues in the review hearing.

19.2 Order of Presentation

(1) The order of presentation shall be as follows:

(a) the Requesting Party shall present evidence and make submissions;

(b) the Responding Party shall then present evidence and make submissions;

(c) the Requesting Party may then reply to the submissions of the Responding Party.

(2) Where a party is represented by counsel or agent, the right to address the Hearing Panel shall be exercised by the counsel or agent.

PART C: APPEALS

RULE 20: COMMENCEMENT OF APPEAL

20.1 Notice of Appeal

(1) An appeal shall be commenced by a Notice of Appeal.

(2) The Appellant shall serve and file a Notice of Appeal within 30 days from the effective date of service of the decision under appeal, as required by By-law 20.52(1).

20.2 Contents of Notice of Appeal

(1) The Notice of Appeal shall state:

(a) the relief sought; and

(b) the grounds for the appeal.

20.3 Appeal Date

Notice of the date, time and location of the appeal will be provided by the National Hearing Coordinator within 21 days of the filing of the Notice of Appeal.

RULE 21: SUPPORTING MATERIALS

21.1 Appeal Record -- Disciplinary Hearing

(1) The Appellant shall serve and file an Appeal Record within 90 days from the date of filing of the Notice of Appeal.

(2) The Appeal Record shall contain:

(a) the Notice of Appeal;

(b) all materials in respect of the original proceeding and relevant to the appeal, including:

(i) the Notice of Hearing;

(ii) the Response;

(iii) the decision and reasons;

(iv) any other order or decision;

(v) exhibits;

(vi) transcripts of the oral evidence; and

(vii) other excerpts from the transcript of the record.

(3) The parties to the appeal may consent to the omission of any materials required by Rule 21.1(2).

21.2 Appeal Record -- Review of Expedited Hearing

(1) The Appellant shall serve and file an Appeal Record within 90 days from the date of filing of the Notice of Appeal.

(2) The Appeal Record shall contain:

(a) the Notice of Appeal;

(b) all materials in respect of the original proceeding and relevant to the appeal, including:

(i) Notice of Application;

(ii) Notice of Request for Review;

(iii) Review Record;

(iv) Reply;

(v) decision and reasons that is the subject of the appeal;

(vi) any orders;

(vii) exhibits;

(viii) transcripts of oral testimony; and

(ix) other excerpts from transcript of the record.

(3) The parties to the appeal may consent to the omission of any materials required by Rule 21.2(2).

21.3 New Evidence

(1) A party shall not introduce new evidence without leave of the Appeal Panel.

(2) An Appeal Panel may allow the introduction of new evidence at the appeal upon any terms it considers appropriate.

(3) A party who intends to seek leave to introduce new evidence at the appeal shall immediately and, in any case not later than 60 days prior to the date of the appeal serve a sworn statement of the proposed new evidence including copies of any documents.

(4) The proposed new evidence shall not be filed prior to the date of the appeal.

21.4 Factum

(1) The parties to an appeal shall prepare a ~~factum~~ factum, which shall contain:

(a) a statement of the issues to be argued;

(b) the facts and law relied upon; and

(c) the relief sought.

(2) Facta shall be served and filed as follows:

(a) for the Appellant, at least 30 days prior to ~~from~~ the date of the appeal; and

(b) for the Respondent, at least 15 days prior to ~~from~~ the date of the appeal.

(3) The Appellant may serve and file a supplementary factum in response to new issues raised in a Respondent's factum at least 7 days prior to the date of the appeal.

PART D: APPROVAL AND~~&~~ EXEMPTION ~~REQUEST~~ REVIEW HEARINGS~~S~~

RULE 22: APPROVALS - INDIVIDUALS

22.1 Request for Review

(1) A request for review pursuant to By-law 20.19 shall be commenced by a Notice of Request for Review.

(2) A Notice of Request for Review shall be served and filed within 10 days after release of the approval decision, as required by By-law 20.19(1)~~-~~.

22.2 Contents of Notice of Request for Review

(1) A Notice of Request for Review shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought; and

(c) list the evidence to be relied upon.

22.3 Review Hearing Date

(1) Notice of the date, time and location of the review hearing will be provided to the parties by the National Hearing Coordinator.

(2) The review hearing date shall not be later than 21 days after the filing of the Notice of Request for Review.

22.4 Review Record

(1) The Requesting Party shall serve and file a Review Record at least 10 days prior to the date of the review hearing.

(2) A Review Record shall contain:

(a) the Notice of Request for Review;

(b) the decision under review; and

(c) copies of the evidence to be relied upon.

22.5 Reply

The Responding Party may serve and file a Reply at least 5 days prior to the date of the review hearing.

22.6 Contents of Reply

(1) A Reply shall:

(a) state the grounds upon which the relief ought not to be granted; and

(b) list the evidence to be relied upon.

22.7 Reply Record

(1) A Reply Record shall contain copies of any evidence the Responding Party intends to rely upon.

(2) The Responding Party shall serve and file the Reply Record at least 5 days prior to the date of the review hearing.

RULE 23: APPROVALS - MEMBERS

23.1 Request for Review

(1) A request for review pursuant to By-law 20.22 shall be commenced by a Notice of Request for Review.

(2) A Notice of Request for Review shall be served and filed within 30 days after release of the approval decision, as required by By-law 20.22(2).

23.2 Contents of Notice of Request for Review

(1) A Notice of Request for Review shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought; and

(c) list the evidence to be relied upon.

23.3 Review Hearing Date

(1) Notice of the date, time and location of the review hearing will be provided to the parties by the National Hearing Coordinator.

(2) The review hearing date shall not be later than 90 days after the filing of the Notice of Request for Review.

23.4 Review Record

(1) The Requesting Party shall serve and file a Review Record not less than 30 days prior to the date of the review hearing.

(2) A Review Record shall contain:

(a) the Notice of Request for Review;

(b) the decision under review; and

(c) copies of the evidence to be relied upon.

23.5 Reply

The Responding Party may serve and file a Reply at least 14 days prior to the date of the review hearing.

23.6 Contents of Reply

(1) A Reply shall:

(a) state the grounds upon which the relief ought not to be granted; and

(b) list the evidence to be relied upon.

23.7 Reply Record

(1) A Reply Record shall contain copies of any evidence the Responding Party intends to rely upon.

(2) The Responding Party shall serve and file the Reply Record at least 7 days prior to the date of the review hearing.

RULE 24: EXEMPTION REVIEW HEARINGS

24.1 Request for Review

(1) A request for review pursuant to By-law 20.26 shall be commenced by a Notice of Request for Review.

(2) A Notice of Request for Review shall be served and filed within 10 days after release of the decision, as required by By-law 20.26(1).

24.2 Contents of Notice of Request for Review

(1) A Notice of Request for Review shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought; and

(c) list the evidence to be relied upon.

24.3 Review Hearing Date

(1) Notice of the date, time and location of the review hearing will be provided to the parties by the National Hearing Coordinator.

(2) The review hearing date shall not be later than 21 days after the filing of the Notice of Request for Review.

24.4 Review Record

(1) The Requesting Party shall serve and file a Review Record at least 10 days prior to the date of the review hearing.

(2) A Review Record shall contain:

(a) the Notice of Request for Review;

(b) the decision under review; and

(c) copies of the evidence to be relied upon.

24.5 Reply

The Responding Party may serve and file a Reply at least 5 days prior to the date of the review hearing.

24.6 Contents of Reply

(1) A Reply shall:

(a) state the grounds upon which the relief ought not to be granted; and

(b) list the evidence to be relied upon.

24.7 Reply Record

(1) A Reply Record shall contain copies of any evidence the Responding Party intends to rely upon.

(2) The Responding Party shall serve and file the Reply Record at least 5 days prior to the date of the review hearing.

RULE 25: CONDUCT OF APPROVAL AND EXEMPTION REQUEST REVIEW HEARINGS

25.1 Application

This Rule shall apply to all review hearings referred in Rules 22 to 24 in this Part D.

25.2 Rights of Parties

(1) A party is entitled at the hearing:

(a) to attend and be heard in person;

(b) to be represented by counsel or agent;

(c) to introduce evidence; and

(d) to make submissions relevant to the issues in the review hearing.

25.3 Order of Presentation

(1) The order of presentation shall be as follows:

(a) the Requesting Party shall present evidence and make submissions;

(b) the Responding Party shall then present evidence and make submissions;

(c) the Requesting Party may then reply to the submissions of the Responding Party.

(2) Where a party is represented by counsel or agent, the right to address the Hearing Panel shall be exercised by the counsel or agent.

25.4 Form of Evidence

Evidence shall be in the form of a sworn statement or documentation unless an adverse party reasonably requires the attendance of a witness for cross-examination.

PART E: EARLY WARNING PROCEEDINGS

RULE 26: COMMENCEMENT OF PROCEEDINGS

26.1 Request for Review

(1) A request for review pursuant to By-law 20.29(1) shall be commenced by a Notice of Request for Review.

(2) A Notice of Request for Review shall be served and filed within 3 days after the Member was served with the early warning order, as required by By-law 20.29(1)

26.2 Contents of Notice of Request for Review

(1) A Notice of Request for Review shall:

(a) state the specific relief sought;

(b) state the grounds for the relief sought; and

(c) list the evidence to be relied upon.

26.3 Review Hearing Date

(1) Notice of the date, time and location of the review hearing will be provided to the parties by the National Hearing Coordinator.

(2) The review hearing date shall not be later than 21 days after the filing of the Notice of Request for Review, as required by By-law 20.29(2).

RULE 27: SUPPORTING MATERIALS

27.1 Review Record

(1) The Requesting Party shall serve and file a Review Record at least 10 days prior to the date of the review hearing.

(2) A Review Record shall contain:

(a) the Notice of Request for Review;

(b) the early warning order;

(c) copies of the evidence to be relied upon.

27.2 Reply

The Responding Party may serve and file a Reply, at least 5 days prior to the date of the review hearing.

27.3 Contents of Reply

(1) A Reply shall:

(a) state the grounds upon which the relief ought not be granted; and

(b) list the evidence to be relied upon.

27.4 Reply Record

(1) A Reply Record shall contain copies of any evidence the Association intends to rely upon.

(2) The Responding Party shall serve and file the Reply Record at least 5 days prior to the date of the review hearing.

RULE 28: CONDUCT OF EARLY WARNING REVIEW HEARINGS

28.1 Rights of Parties

(1) A party is entitled at the hearing:

(a) to attend and be heard in person;

(b) to be represented by counsel or agent;

(c) to introduce evidence; and

(d) to make submissions relevant to the issues in the review hearing.

28.2 Order of Presentation

(1) The order of presentation shall be as follows:

(a) the Requesting Party shall present evidence and make submissions; and

(b) the Responding Party shall then present evidence and make submissions;

(c) the Requesting Party may then reply to the submissions of the Responding Party.

(2) Where a party is represented by counsel or agent, the right to address the Hearing Panel shall be exercised by the counsel or agent.

28.3 Form of Evidence

Evidence shall be in the form of a sworn statement or documentation unless an adverse party reasonably requires the attendance of a witness for cross-examination.

SCHEDULE "A"

Notes & Practice Direction Re: National Hearing Coordinator

A. Duties

(i) Administration of Proceedings

The National Hearing Coordinator is responsible for the administration of all proceedings brought pursuant to By-law 20, which includes the following:

(a) the selection of Panel Members;

(b) the scheduling and arrangement of ~~pre-hearing conference~~Pre-hearing Conferences, motions, hearings and appeals;

(c) the care, custody and distribution to panel members of all documents required to be filed pursuant to the Rules of Practice and Procedure;

(d) the maintenance of the hearing record including original exhibits;

(e) distribution of written panel decisions to all parties to the proceeding; and

(f) any other administrative duties reasonably necessary for the efficient operation of a proceeding.

(ii) Liaison as between Panel and Parties

The National Hearing Coordinator shall also act as a liaison between the panel members and parties to the proceeding. Any party who wishes to communicate to the Panel must do so through the National Hearing Coordinator and copy the other parties to the proceeding.

B. Scheduling of hearings, appeals and other related matters

(i) Requesting a Date

The Rules of Practice and Procedure require a party to obtain a date from the National Hearing Coordinator for the following matters:

(1) Disciplinary Hearings (request by the Association only)

(2) Settlement Hearing (request by the Association only)

(3) Expedited Hearings (request by the Association only)

(4) Motions (any party)

Scheduling of all other matters (i.e. ~~pre-hearing conference~~Pre-hearing Conferences, review hearings and appeals) will be initiated by the National Hearing Coordinator once she/he receives the relevant Request or Notice (i.e. Request for ~~Pre-hearing Conference~~Pre-hearing Conference or Notice of Request for Review or Notice of Appeal).

Disciplinary, Settlement and Expedited Hearings

The Association must request dates for a disciplinary, settlement or expedited hearing by completing the Hearing Request Form, attached as Appendix A to these notes.

Motions

A party bringing a motion must request a date for a motion by completing the Motion Request Form, attached as Appendix B to these Notes.

(ii) Selection of Panel or Presiding Officer

In selecting panel members or a Presiding Officer, the National Hearing Coordinator will perform the following steps:

1. Perform a conflict check to ensure panel members or Presiding Officers are completely independent and without bias.

2. Contact those potential panel members or Presiding Officers to determine availability.

3. Confirm final appointment of panel members or Presiding Officers by providing written confirmation to selected panel members or Presiding Officers.

(iii) Notice and Confirmation to Parties

Once a date has been obtained, the National Hearing Coordinator will provide written notice and confirmation of the date to all parties to the proceeding via mail, email or facsimile in the form attached as Appendix C to these notes.

C. Filing of Documents

(i) Request for ~~Pre-hearing Conference~~Pre-hearing Conference

A Request for a ~~Pre-hearing Conference~~Pre-hearing Conference shall be filed by sending the Request to:

121 King Street West, Suite 1600
Toronto, Ontario
Fax (416) 646-7271
Attention: ~~Sonia Neves,~~ National Hearing Coordinator

(ii) Notice of Request for Review

A Notice of Request for Review for any review hearing brought pursuant to By-law 20, shall be filed by sending the Notice to:

121 King Street West, Suite 1600
Toronto, Ontario
Fax (416) 646-7271
Attention: ~~Sonia Neves,~~ National Hearing Coordinator

(iii) Notice of Appeal

A Notice of Appeal shall be filed by sending the Notice to:

121 King Street West, Suite 1600
Toronto, Ontario
Fax (416) 646-7271
Attention: ~~Sonia Neves,~~ National Hearing Coordinator

(iv) All other Documents

All documents except for those mentioned in above items (i)-(iii), required to be filed pursuant to the Rules of Practice and Procedure shall be filed by sending them to the following address:

<u>For matters in the Pacific (British Columbia) Region:</u>
XXX
Attention:

<u>For matters in the Prairie Region:</u>
XXX
Attention:

<u>For matters in the Ontario or Atlantic Regions:</u>
121 King Street West, Suite 1600
Toronto, Ontario
Attention: ~~Sonia Neves,~~ National Hearing Coordinator

<u>For matters in the Quebec Region:</u>
XXXX
Attention:

The National Hearing Coordinator or her designate will be responsible for distributing the filed documents to the appropriate panel members or Presiding Officer, as the case may be.

APPENDIX – A

Hearing Request Form

{TO BE DEVELOPED BY NATIONAL HEARING COORDINATOR}

APPENDIX – B

Motion Request Form

{TO BE DEVELOPED BY NATIONAL HEARING COORDINATOR}

APPENDIX – C

Notice of Confirmation

{TO BE DEVELOPED BY NATIONAL HEARING COORDINATOR}

SCHEDULE "B"

Eligible Monitors

The following firms are eligible to be appointed as Monitors in accordance with By-law 20.46 and Rule 17:
{TO BE DETERMINED IN CONSULTATION WITH STAKEHOLDERS AND INSERTED INTO RULES OF PRACTICE}

TARIFF "A"

Fee Schedule Re: Appointment of Monitor

The fee schedule permitted to be charged for the Appointment of a Monitor pursuant to By-law 20.46 and Rule 17 shall:
{TO BE DETERMINED IN CONSULTATION WITH STAKEHOLDERS AND INSERTED INTO RULES OF PRACTICE}

13.1.2 Notice of Commission Approval – Amendments to IDA Regulation 1300.1 – Know Your Client Requirements for Non-Individual Accounts

THE INVESTMENT DEALERS ASSOCIATION OF CANADA ("IDA") NOTICE OF COMMISSION APPROVAL AMENDMENTS TO IDA REGULATION 1300.1 – KNOW YOUR CLIENT REQUIREMENTS FOR NON-INDIVIDUAL ACCOUNTS

The Ontario Securities Commission approved amendments to IDA Regulation 1300.1, Know your client requirements for non-individual accounts subject to the condition that no later than one year after the implementation of the proposal, IDA staff prepare and file as soon as possible thereafter a report with the CSA that provides data to establish the time it has taken Members to verify the identities of the beneficial owner, settlors, or beneficiaries of non-individual accounts during the preceding 12 month period, and revisit whether the six month timeline is appropriate. In addition, the Alberta Securities Commission approved and the British Columbia Securities Commission did not object to the amendments subject to the same condition. The amendments to Regulation 1300.1 clarify a Member's obligations to identify and verify beneficial owners for non-individual accounts. A copy and description of these amendments were published on July 11, 2003 at (2003) 26 OSCB 5394. A summary of the public comments received is provided in Appendix "A".

APPENDIX "A"

SUMMARY OF PUBLIC COMMENTS IDA'S RESPONSES TO ALL THE COMMENTS RECEIVED TO DATE ON PROPOSED AMENDMENTS TO REGULATION 1300.1

On July 11, 2003 the Investment Dealers Association of Canada (IDA) published for comment proposed amendments to Regulation 1300.1 with respect to know your client requirements for non-individual accounts.

Two comments were received: one from the Canadian Bankers Association (CBA) and one from a group of IDA Members ('the Dealers"): Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Edward Jones, CIBC World Markets Inc. and TD Waterhouse Canada Inc.

SUMMARY OF WRITTEN COMMENTS RECEIVED ON THE PROPOSED AMENDMENTS

Requirements more onerous than those affecting other financial institutions

Comment

Both commentators expressed concern that the proposed amendments are more onerous than those currently imposed on other regulated financial institutions, both domestic and foreign. On commentator suggested that this would create competitive problems for IDA members and perhaps for Canada.

Response

While the IDA agrees that consistency is preferable, some industries have unique problems that warrant moving ahead of others. Anonymous corporations have frequently been used in the securities industry for illicit activity such as insider trading and market manipulation. Their possible use for money laundering has also become an issue of significant international concern. The Association believes that the proposed rule is consistent with developing international requirements, particularly those of the recent revisions to the 40 Recommendations of the Financial Action Task Force on Money Laundering. The IDA does not accept that it is appropriate to wait for all parties, including other financial institutions in Canada and internationally, to become subject to equivalent regulations. Doing so would in effect result in no regulations in this area ever being implemented.

Comment

One commentator suggested that the goals of the proposed regulation should be accomplished through other means having broader application, such as requirements on corporations to file ownership information on government registries, on insiders to disclosure on public databases such as SEDAR the names of any trading accounts of corporations, trusts, etc. in which they have a

beneficial ownership interest of 10% or more, and requirements on those subject to cease trading orders to file information with regulators.

Response

While the IDA agrees that it would be preferable to have publicly available records containing the necessary information, updated on a continuous basis, such records would only provide assistance to Members on fulfilling their customer due diligence requirements. Members would still have to check those records and might in fact be held to a higher standard regarding keeping their client knowledge current by virtue of the availability of such current data.
The FATF considered this approach in reviewing its 40 recommendations, but concluded that the establishment of such registries and requirements and the likelihood that the information would fall out of date did not make it a viable approach to placing requirements on financial institutions to know their customers, including beneficial owners of non-individual accounts.

Comment

One commentator noted that the Financial Services Authority (FSA) in the United Kingdom had recently considered and rejected the idea of requiring regulated financial institutions to verify the identity of existing clients, deciding that it is unclear that the benefits would outweigh the costs.

Response

The FSA report considered the costs and benefits of requiring authorized entities to verify the identity of *all* customers whose accounts were opened prior to the imposition of verification requirements on new customers. It concluded that such verification should be risk-based rather than covering all customers. The Association has not proposed verification of all accounts opened prior to the imposition of customer identification and verification under the Federal anti-money laundering regulations implemented in 1993. It has, however, determined that non-individual accounts for which the beneficial owners are unknown are high-risk accounts and has limited the identification and verification requirements to the beneficial owners of such accounts.

<u>Issues regarding holding the required information</u>

Comment

One commentator expressed concern that the proposed regulation may have the effect of transforming Members into custodians of records for their non-individual clients, thereby exposing Members to potential regulatory action or civil liability should the information on record later prove to be inaccurate or out-of-date. The commentator also questioned what use would be made of the information in the light of privacy legislation.

Response

Members currently collect various kinds of information about clients to meet business and regulatory needs. They do not thereby become custodians of their clients' records. Under privacy legislation they may become custodians of personal information about their clients or the beneficial owners thereof, subjecting them to confidentiality requirements regarding such information. However, any such requirements are no different in kind or extent from those to which they are already subject with regard to all client personal information they collect.

<u>Range of application of proposed requirements</u>

Comment

Both commentators suggested that the proposed amendments are too broad, that the range of non-individual accounts subject to the proposed requirements should be narrowed based on risk factors. One commentator noted that many non-individual accounts are simply those of personal holding companies, family trusts or investment clubs, for which anti-money laundering regulations already require identifying and verifying the identity of the person(s) having authority over an account, and suggested that adding the identity of beneficial owners would add little useful information.

Response

The IDA disagrees on the utility of obtaining this information, as do various international bodies such as the Financial Action Task Force and the Basel Committee on Banking Supervision. The purpose of collecting this information is not only to assist Members in discharging their supervisory responsibilities, but also to assist securities regulatory and self-regulatory agencies, law enforcement and other agencies such as the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") in discharging their responsibilities. There will also be many cases in which the person(s) having authority over and beneficial owner(s) of an account will be one and the same, such that no further efforts will need to be undertaken.

Comment

Both commentators suggested limiting the application of the proposed amendments to off-shore accounts, as being the accounts that bring the highest risk of use in money laundering or improper market activity.

Response

The proposed requirements are intended to hinder the use of corporations or other entities to disguise the perpetrators of improper activity. The Association sees no reason for preventing the misuse of offshore corporations but not domestic ones.

Comment

Both commentators suggested establishing account criteria for triggering the requirements, such as ownership threshold, size or account activity. One commentator suggested changing the ownership threshold from 10% to 20%.

Response

The ownership interest threshold of 10% is based on the *Canada Business Corporations Act* control threshold. Establishing an account-size or activity threshold would necessarily involve ongoing monitoring of account size or activity to determine when the Regulation became applicable to a particular account. It would also encourage the use of multiple accounts – for the same entity at different Members or different entities at the same Member in order to remain below the threshold. The IDA believes that either approach would entail significantly higher costs to Members by requiring them to monitor accounts opened at below-threshold levels to determine when they reached the thresholds, and would in any event seriously undermine the efficacy of the proposed Regulation.

Comment

One commentator suggested that delivery against payment (DAP) accounts be exempted as posing limited risk, since Members are not the custodians for such accounts and delivery is usually made to another regulated entity.

Response

It is the IDA's position that the settlement method for an account is totally irrelevant to the requirement to ascertain beneficial ownership. Exempting DAP accounts would completely undermine the purposes of the proposed Regulation. Many DAP accounts will already be exempt from the proposed requirements by virtue of the exemptions for regulated financial institutions and intermediaries and publicly traded companies.

Comment

One commentator suggested that hedge funds and limited partnerships be exempt.

Response

The IDA sees no reason why individuals should be able to hide significant beneficial ownership of an account by forming a limited partnership or hedge fund. In most cases, most or all of the beneficial ownership interests of such vehicles will be below 10%.

Comment

One commentator suggested that Members be permitted, for "low-risk" customers and activity, to exercise judgment based on risk-based criteria as to what information must be verified and when accounts should be restricted.

Response

The Association believes that entities of indeterminate ownership present a non-trivial risk for misuse in all instances; this belief is consistent with concerns expressed by expert international bodies such as the FATF. Exceptions have been provided in the rule for low-risk entities, general speaking regulated financial institutions that conduct their own customer due diligence.

Comment

One commentator suggested implementing the requirements in stages, starting with the most important types of information.

Response

The comment is unclear as to what information it is referring to and what might be considered "the most important types" of such information. The Association does not, in general, believe that an approach that would require Members to keep going back to their customers to gather more and more information as requirements come into force would be effective or acceptable to either Members or their customers.

Difficulties in determining beneficial interest, particularly with regard to trusts

Comment

Both commentators noted that trusts present complications because their structures can be complex, beneficiaries may be unknown, settlors may not want the beneficiaries to know that they are beneficiaries or the extent of their beneficiary interest and in some cases percentage interests may not be apparent. Both also noted that in some cases corporations can have complex ownership structures that may make it impossible for the client to determine its 10% owners without legal assistance.

Response

If a client makes an effort to provide the information and the dealer has reasonable grounds for believing that the client has provided the necessary information, the Member will have complied with the Regulation.
The proposed Regulation is flexible as regards identification of beneficiaries, referring to "known beneficiaries" because of the difficulties raised in the comment. Members will be required under the proposed Regulation to make a diligent effort to identify beneficiaries above the threshold, but the proposed Regulation restricts the requirement to "known beneficiaries" because the beneficiaries and/or their ultimate interest may not be known or knowable.

The proposed regulation does not require that the information either be obtained directly from or communicated to the beneficiaries. The proposed Regulation is also flexible as regards methods for verifying the identity of beneficiaries. It will be possible in many

cases for the Member to verify identity through means that do not involve direct contact with beneficiaries.

While there may be rare cases in which it is difficult to determine what individuals hold interests above the minimum, IDA Staff does not believe that the problem would be common enough to add significantly to compliance costs. As the design and establishment of such complex structures is normally done using professional advisors, the advisors should be able to provide the information. If they cannot, the Member might reasonably question whether the reason for such complex structures is not to conceal the ultimate ownership of the assets.

Implementation costs and timelines

Comment

Both commentators noted that Members do not have and their service providers do not provide systems for storing and retrieving beneficial ownership information or for tracking missing information, that developing such systems will take time and impose costs, and that the proposed regulations do not provide enough time to complete the necessary development.

Response

The proposed regulation is not specific as to the methods of storage for such information. If a Member seeks to store it electronically and cannot complete the necessary systems work in time, the Member may have to record the information on paper as an interim step. Members do have systems for tracking missing account documentation which can be used to track accounts for which the required verification is as yet forthcoming. They also have the option of refusing to open an account until the information is obtained and verified.

Comment

Both commentators noted that percentage ownership may fluctuate so that keeping track of changes would add further to the costs of compliance.

Response

Members are already required to take reasonable measures to remain informed of the essential facts regarding their clients. Beneficial ownership of non-individual accounts is being defined by the proposed Regulation as one essential fact. The IDA understands that there is no sure method to monitor beneficial ownership changes on an ongoing basis because doing so requires client involvement, which cannot be mandated by IDA Regulations. Reasonable measures may include advising the client of the requirement to inform the Member of any material changes, periodic verification, which could be done on a negative-response basis, of the essential facts regarding the client and making enquiries when anything comes to the Member's attention that makes it appear that the information is inaccurate or out-of-date. The requirements are no different in kind from those already applicable to information currently obtained for all accounts.

Comment

One commentator noted that beneficial owners may not be readily accessible and asked what means of verifying identity may be acceptable.

Response

In anticipation of this problem, the proposed Regulation was made more flexible than the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*. The standard that must be met is that the Member must be able to form a "reasonable belief" that it knows the true identity of each beneficial owner(s) whose identity must be verified. The Association believes that Members are capable of determining when that test has been met. In this regard, reliance on trusted third parties such as other financial institutions is one possible method of verification.

Adverse reaction of affected clients

Comment

Both commentators suggested that the proposed requirements are likely to be regarded by clients as invasive and intrusive. One suggested that some clients are likely resist providing the necessary information – some by moving to other, less regulated intermediaries.

Response

The likelihood and extent of such resistance is unknown. Individual clients have already had to adjust to new identification and verification requirements under anti-money laundering regulations, and clients around the world are becoming accustomed to higher demands for information from financial institutions as anti-money laundering laws and regulations have changed. The IDA does not believe that such resistance is a sufficient reason to refrain from regulation in this regard and believes that it would be impossible to distinguish those resisting the regulations because they have something to hide from those resisting for other purposes.

Comment

Given the requirements to restrict unverified accounts after six months to liquidating transactions, non-compliant customers may simply open new accounts with other institutions.

Response

The requirement is to verify the identity of beneficial owners as soon as practicable after an account is opened. In most cases this should be well before the six month deadline. If a client is non-cooperative a Member may have reason to cease doing business with the client before the six months has elapsed, to subject the client's transactions to

heightened supervision or to report the client's activity as suspicious under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transaction Reporting Regulations*.

Comment

One commentator questioned the utility of using a fixed percentage without reference to account size and materiality of the client, noting that clients could easily circumvent the objectives behind the proposed regulation by structuring a corporation or trust so that each beneficiary has less than 10%. The commentator suggested that as a result, despite the expensive infrastructure, operational controls, additional employee resources and regulatory burden, arguably, little if any additional value would be created in combating money laundering, insider trading or terrorism financing, and in knowing the client.

Response

The IDA does not believe that it should refrain from proposing a Regulation simply because it is not foolproof. Clients would need a reason to go to the trouble and expense of concealing ownership of a corporation in order to circumvent the proposed regulation, and might well engage in suspicious activity in other aspects of the operation of the account. Members are under a continuing obligation to know with whom they are dealing. In the event that a Member became suspicious that a client had structured a corporation to circumvent the letter of the proposed Regulation, the Member would be obligated to review the situation, determine whether there was evidence for suspicion that the client was involved in illicit activity and decide whether to continue doing business with the client. At the very least, the Member would be on notice that the client should be watched for any sign of suspicious activity.

Comment

One commentator suggested that a public survey should have been conducted to determine whether the public understands the impact of the proposed regulations and that a public awareness campaign should be conducted to ensure that they do.

Response

The proposed regulations affect only a limited segment of the public. Members are responsible for communicating with their customers on all such issues. Were the IDA to become involved in any of these aspects of rule implementation by directly contacting clients that might be affected, its involvement would rightly be viewed by Members as intrusive.

Other Comments

Comment

One commentator noted that the proposed regulation does not provide any guidance concerning situations where there is only substantial or partial ascertainment or verification. If a Member has 98% of the information about the relevant beneficial owners but is missing 2%, will the Member be obligated to restrict the account after six months? There is no leeway built in.

Response

It is the IDA's experience that where possible Member's prefer bright line tests. While the IDA tries to build as much flexibility as possible into both the drafting and administration of regulations, leaving leeway where it is inappropriate creates unnecessary uncertainty. Were a Member to lack 2% of the information necessary to comply with the proposed Regulation, the proper circumstances would undoubtedly provide an incentive to both the Member and the client to obtain the missing 2%.

13.1.3 CNQ - Consequential Amendments Resulting from Exchange Recognition

CANADIAN TRADING AND QUOTATION SYSTEM INC.

CONSEQUENTIAL AMENDMENTS RESULTING FROM EXCHANGE RECOGNITION

(blacklined to version published for comment November 21, 2003)

Be it resolved that:

1. Section 1.4 of Policy 1, as previously amended, is further amended by replacing the phrase “Ontario securities law” with “applicable securities legislation” wherever it appears.

2. Section 1.1 of Policy 2, as previously amended, is repealed and replaced with the following:

   "Only an Issuer that is a reporting issuer or the equivalent in a jurisdiction in Canada and that is not in default of any requirements of securities legislation in any jurisdiction in Canada is eligible for listing."

3. Paragraph 2.3(i) of Policy 2 is repealed.

4. Sections 3.2-.4 of Policy 2 are repealed.

5. Item 25.1(a) of Form 2A, as previously amended, is further amended by repealing the phrase “prepared and filed with the Commission under Ontario securities law, as if the issuer were subject to such law~~, for the preceding three years~~” with “prepared and filed under applicable securities ~~law~~legislation.”

6. All references to “quote” and “quotation” and grammatical variations thereof in the Rules, Policies and forms, when referring to a CNQ Issuer or a company applying to become a CNQ Issuer, are replaced with references to “list”, “listing” and appropriate grammatical variations thereof.

PASSED AND ENACTED on the 4th day of September and further amended on the 6th day of May, 2004, to be effective upon approval by the Ontario Securities Commission following public notice and comment and upon approval by the Ontario Securities Commission of the Corporation’s application for recognition as a stock exchange.

13.1.4 Comments Received re: CNQ Application for Recognition as a Stock Exchange

March 23, 2004

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON
M5H 3S8

Attention: Barbara Fydell, Legal Counsel, Market Regulation

Dear Ms Fydell:

Re: Canadian Trading and Quotation System Inc. (“CNQ”) — Application for Recognition as a Stock Exchange

This letter provides a summary of the responses to the request for comments on CNQ’s application for recognition as a stock exchange and consequential rule and policy changes reflecting the new status.

Comments Received

We received comments from the TSX Group (“TSX”), Douglas G. Reeson and Market Regulation Services Inc. (“RS”). All supported CNQ’s application and we thank them for taking the time to make their comments. The comments did not raise any need to amend the application or the proposed rule and policy amendments.

The TSX stated that it welcomed “competition from marketplaces such as CNQ that will provide listings opportunities to emerging companies while maintaining a solid level of investor protection achieved through effective regulatory oversight.” The TSX noted that CNQ has retained RS to act as regulation services provider and that the Universal Market Integrity Rules (“UMIR”) apply to trading on CNQ, thus ensuring a level playing field with the other Canadian exchanges. The TSX queried whether CNQ would review materials filed in connection with a reverse take-over to ensure prospectus-level disclosure and stated that CNQ should comply with audit trail standards to be established by the Trade Reporting and Electronic Audit Trail Standards Committee.

Mr. Reeson stated that “it is important to Canada’s financial markets that CNQ be allowed to evolve into a full and complete stock exchange.” He stated that many public companies in Canada are frustrated with the current monopoly situation, and recognition would materially assist CNQ in achieving a sustainable critical mass of listings and trading.

RS stated that recognition would have no impact on the existing regulation services agreement between RS and CNQ and would not have any implications for the application and administration of UMIR.

In response to the questions raised by the TSX, CNQ subjects companies undergoing a reverse take-over to the same requirements as a company applying for quotation, including filing a quotation statement that contains prospectus-level disclosure. This ensures a level playing field with companies making an original application. The quotation statements are reviewed to ensure they are complete.

CNQ also will comply with any audit trail requirements. To that end, we have asked to be included on the industry committee so that our unique market model will be taken into consideration when those standards are set.

We thank the Commission for your consideration of our application.

Yours truly,

Timothy Baikie
General Counsel & Corporate Secretary

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Chapter 25

Other Information

25.1 Consents

25.1.1 Hub International Limited - ss. 4(b) of O. Reg. 289/00

Headnote

Consent given to an OBCA Corporation to continue under the laws of Canada.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, ss. 4(b).

IN THE MATTER OF
ONT. REG. 289/00 (THE REGULATION)
MADE UNDER THE BUSINESS CORPORATIONS ACT
R.S.O. 1990 c. B 16 (THE OBCA)

AND

IN THE MATTER OF
HUB INTERNATIONAL LIMITED

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Hub International Limited (Hub) to the Ontario Securities Commission (the Commission) requesting a consent from the Commission for Hub to continue into another jurisdiction pursuant to subsection 4(b) of the Regulation;

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

AND UPON Hub having represented to the Commission that:

1. Hub is proposing to submit an application to the Director under the *Business Corporations Act* (Ontario) (the OBCA) pursuant to section 181 of the OBCA (the Application for Continuance) for authorization to continue as a corporation under the *Canada Business Corporations Act* (the CBCA).

2. Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission.

3. Hub was incorporated under the provisions of the OBCA on November 25, 1998. The registered office of Hub is located at 8 Nelson Street West, Brampton, Ontario, L6X 4J2.

4. Hub is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the Act), and in each of the provinces of Canada. Hub's common shares are listed for trading on the Toronto Stock Exchange and on the New York Stock Exchange. Hub is also subject to the reporting requirements of the United States Securities Exchange Act of 1934. Hub intends to remain a reporting issuer in Ontario and in the other jurisdictions in which it is a reporting issuer and will remain subject to the reporting requirements of the United States Securities and Exchange Commission.

5. Hub is not in default under any provision of the Act or the regulations of the Act, nor under the securities legislation of any other jurisdiction where it is a reporting issuer.

6. Hub is not a party to any proceeding nor, to the best of its knowledge, information and belief, any pending proceeding under the Act.

7. The Application for Continuance of Hub under the CBCA is subject to approval by the shareholders of Hub by special resolution to be obtained at an Annual and Special Meeting of Shareholders (the Meeting) to be held on May 11, 2004.

8. Hub will not submit the Application for Continuance to the Director under the OBCA unless shareholder approval is obtained at the Meeting.

9. The management information circular dated March 30, 2004 provided to all shareholders in connection with the Meeting advised the holders of common shares of Hub of their dissent rights pursuant to s.185 of the OBCA.

10. The continuance of Hub under the CBCA is proposed to provide Hub with greater flexibility in the selection of independent directors as it continues to expand its U.S. operations.

11. The material rights, duties and obligations of a corporation incorporated under the CBCA are substantially similar to those under the OBCA,

except that the CBCA only requires that 25% of a corporation's directors be resident Canadians, compared to a majority required by the OBCA.

THE COMMISSION HEREBY CONSENTS to the continuance of Hub as a corporation under the *Canada Business Corporations Act*.

April 30, 2004.

"Paul M. Moore" "S. Wolburgh Jenah"

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