The Ontario Securities Commission

OSC Bulletin

September 10, 2004

Volume 27, Issue 37

(2004), 27 OSCB

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

The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

Published under the authority of the Commission by:
Carswell
One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

416-609-3800 or 1-800-387-5164

Contact Centre - Inquiries, Complaints:	Fax: 416-593-8122
Capital Markets Branch:	Fax: 416-593-3651
- Registration:	Fax: 416-593-8283
Corporate Finance Branch:	
- Team 1:	Fax: 416-593-8244
- Team 2:	Fax: 416-593-3683
- Team 3:	Fax: 416-593-8252
- Insider Reporting	Fax: 416-593-3666
- Take-Over Bids:	Fax: 416-593-8177
Enforcement Branch:	Fax: 416-593-8321
Executive Offices:	Fax: 416-593-8241
General Counsel's Office:	Fax: 416-593-3681
Office of the Secretary:	Fax: 416-593-2318

The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of $549 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $20 per copy as long as supplies are available.

ISSN 0226-9325

One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Relations
Toronto 1-416-609-3800
Elsewhere in Canada/U.S. 1-800-387-5164
World wide Web: http://www.carswell.com
Email: carswell.orders@thomson.com

Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

SEPTEMBER 10, 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
M5H 3S8

Telephone: 416-597-0681 Telecopier: 416-593-8348

CDS **TDX 76**

Late Mail depository on the 19th Floor until 6:00 p.m.

- -

THE COMMISSIONERS

David A. Brown, Q.C., Chair	—	DAB
Paul M. Moore, Q.C., Vice-Chair	—	PMM
Susan Wolburgh Jenah, Vice-Chair	—	SWJ
Paul K. Bates	—	PKB
Robert W. Davis, FCA	—	RWD
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

September 20-22, 2004	**Brian Peter Verbeek** and Lloyd Hutchison Ebenezer Bruce
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: TBD
September 29, 2004	**Cornwall *et al***
	s. 127
10:00 a.m.	K. Manarin in attendance for Staff
September 30, 2004 and October 1, 2004	Panel: HLM/RWD/ST
2:00 p.m.	
October 4, 5, 13-15, 2004	
10:00 a.m.	
October 18 to 22, 2004	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub**
November 2, 3, 5, 8, 10-12, 15, 17, 19, 2004	s. 127
10:00 a.m.	M. Britton in attendance for Staff
	Panel: SWJ/HLM/MTM
October 31, 2004 (on or about)	**Mark E. Valentine**
	s. 127
10:00 a.m.	A. Clark in attendance for Staff
	Panel: TBD
November 24-25, 2004	Brian Peter Verbeek and **Lloyd Hutchison Ebenezer Bruce**
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: TBD

January 24 to March 4, 2005, except Tuesdays and April 11 to May 13, 2005, except Tuesdays 10:00 a.m.	**Philip Services Corp. *et al*** s. 127 K. Manarin in attendance for Staff Panel: PMM/RWD/ST
May 30, June 1, 2, 3, 6, 7, 8, 9 and 10, 2005 10:00 a.m.	**Buckingham Securities Corporation, David Bromberg*, Norman Frydrych, Lloyd Bruce and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)** s. 127 J. Superina in attendance for Staff Panel: TBD * David Bromberg settled April 20, 2004

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Robert Walter Harris

Andrew Keith Lech

S. B. McLaughlin

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

1.1.2 OSC Notice Proposed Repeal and Replacement of National Instrument 43-101 - Standards of Disclosure for Mineral Projects, Form 43-101F1, and Companion Policy 43-101CP

ONTARIO SECURITIES COMMISSION
NOTICE

PROPOSED REPEAL AND REPLACEMENT OF NATIONAL INSTRUMENT 43-101 - *STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS*, FORM 43-101F1, AND COMPANION POLICY 43-101CP

REQUEST FOR PUBLIC COMMENT

The Commission and certain other members of the Canadian Securities Administrators (the "CSA") are publishing for a 90-day comment period the following documents in today's Bulletin that amend National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, Form 43-101F1 – *Technical Report*, and Companion Policy 43-101CP:

- Proposed National Instrument 43-101 – *Standards of Disclosure for Mineral Projects (*"NI 43-101*");*
- Proposed Form 43-101F1 - *Technical Report*
- Proposed Companion Policy 43-101CP (the "Companion Policy")

collectively, "Proposed NI 43-101".

Proposed NI 43-101 is intended to replace the current versions of National Instrument 43-101, Form 43-101F1, and Companion Policy 43-101CP, that came into effect in all CSA jurisdictions on February 1, 2001. We are publishing Proposed NI 43-101 in both clean and blackline format.

We request comments by **December 10, 2004**.

The documents are published in Chapter 6 of the Bulletin.

1.1.3 Notice of Request for Comments Changes to Proposed OSC Rule 48-501 – Trading During Distributions, Formal Bids and Share Exchange Transactions (2nd Publication) and Proposed Companion Policy 48-501CP to OSC Rule 48-501 and Changes to Proposed Amendments to the Universal Market Integrity Rules Relating to Trading During Certain Securities Transactions

NOTICE OF REQUEST FOR COMMENTS

CHANGES TO PROPOSED ONTARIO SECURITIES COMMISSION RULE 48-501 – TRADING DURING DISTRIBUTIONS, FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS (2ND PUBLICATION)

AND

PROPOSED COMPANION POLICY 48-501CP TO OSC RULE 48-501

AND

CHANGES TO PROPOSED AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES RELATING TO TRADING DURING CERTAIN SECURITIES TRANSACTIONS

On August 29, 2003, the Ontario Securities Commission (Commission) published for comment at (2003) 26 OSCB 6157 proposed OSC Rule 48-501 – Trading during Distributions, Formal Bids and Share Exchange Transactions (Rule). Also on August 29, 2003 at (2003) 26 OSCB 6231, Market Regulation Services Inc. (RS) requested comment on proposed changes to Rule 7.7 (Restrictions on Trading by a Participant During a Distribution) and Rule 7.8 (Restrictions on Trading During a Securities Exchange Take-over Bid) of the Universal Market Integrity Rules (UMIR Amendments).

The Commission is republishing the Rule for comment in today's Bulletin and is publishing for comment Companion Policy 48-501CP – to Rule 48-501. A Notice and Request for Comment regarding the Rule, together with the Rule and proposed Companion Policy, are published in Chapter 6 of this Bulletin.

RS is publishing in today's Bulletin a Market Integrity Notice requesting comment on proposed changes to the UMIR Amendments. The Market Integrity Notice, including the text of the UMIR Amendments, is published in Chapter 13 of this Bulletin.

A joint summary of the comments has been prepared, together with the Commission's and RS' responses to the comments received, and is published in Chapter 6 of the Bulletin as Appendix A to the Commission's Notice and Request for Comment.

1.1.4 Notice of Commission Approval – Housekeeping Amendment to MFDA Rule 3.5.1 Regarding Filing Requirements

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)

AMENDMENT TO MFDA RULE 3.5.1 REGARDING FILING REQUIREMENTS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved the amendment to MFDA Rule 3.5.1 regarding Filing Requirements. In addition, the Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendment. The amendment allows the MFDA members to file monthly financial reports at such other date as may be agreed with the MFDA. The amendment is housekeeping in nature. The description and a copy of the amendment is contained in Chapter 13 of this Ontario Securities Commission Bulletin.

This page intentionally left blank

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Sanford C. Bernstein Limited - ss. 6.1(1) of MI 31-102 and s. 6.1 of OSC Rule 13-502

Headnote

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

Rules Cited

Multilateral Instrument 31-102 National Registration Database, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees, ss. 4.1 and 6.1.

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

AND

IN THE MATTER OF
SANFORD C. BERNSTEIN LIMITED

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

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

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

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

1. The Applicant is incorporated under the laws of the United Kingdom. The Applicant is not a reporting issuer. The Applicant is registered under the Act as an international dealer. The head office of the Applicant is located in London, England.

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

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

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

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

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

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

IT IS THE DECISION of the Director, pursuant to subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

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

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

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the

Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

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

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

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

August 13, 2004.

"David M. Gilkes"

2.1.2 Lehman Brothers Alternate Investment Management LLC - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – International adviser exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under the Legislation waived in respect of this discretionary relief, subject to certain conditions.

Ontario Securities Commission Rules Cited

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND ALBERTA

AND

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

AND

IN THE MATTER OF
LEHMAN BROTHERS ALTERNATIVE
INVESTMENT MANAGEMENT LLC

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Makers) in each of Ontario and Alberta (the Jurisdictions) has received an application from the Lehman Brothers Alternative Investment Management LLC (the Applicant) for a decision pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (MI 31-102) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the fee requirement contemplated under the securities legislation of each of the Jurisdictions (the Legislation) in respect of this discretionary relief;

AND WHEREAS under the Mutual Reliance Review Systems 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 Applicant has represented to the Decision Makers that:

1. The Applicant is incorporated under the laws of the State of Delaware in the United States of America. The Applicant is not a reporting issuer. The Applicant has applied fro registration under the Legislation as an international adviser. The head office of the Applicant is located in New York, New York.

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

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

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that it has applied for relief from the EFT Requirement in each Jurisdiction in which it is registered.

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

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

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

B. makes acceptable alternative arrangements with the Decision Maker in each Jurisdiction for the payment of all other fees payable under the Legislation in that Jurisdiction by a registrant in its category of registration;

C. is not registered in another category to which the EFT Requirement applies;

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

AND IT IS THE FURTHER DECISION of the Decision Makers that the Application Fee will be waived in respect of the application for this Decision.

August 3, 2004.

“David M. Gilkes”

2.1.3 Manulife Financial Corporation et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Exemptions from certain continuous disclosure requirements granted to a trust on specified conditions, including the condition that security holders of the trust receive the continuous disclosure documents of the public parent company and holding company. Because of the terms of the trust a security holder's return depends upon the financial condition of the parent company and the holding company and not that of the trust. Trust was established to provide the parent company with a cost effective means of raising capital for Canadian insurance company regulatory purposes. Similar relief granted in a previous decision document had expired. Exemption also granted to trust from the requirements to file annual certificates and interim certificates under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

Applicable Instruments

National Instrument 51-102 Continuous Disclosure Obligations, s. 4.1, 4.3, 4.6, 5.1, 6.1 and 13.1.

Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings Ontario Order - Trust established to provide parent company with a cost effective means of raising capital for Canadian insurance company regulatory purposes is exempt from having to pay corporate finance participation fees, subject to certain conditions. Similar relief granted in previous order had expired.

Ontario Rules

Ontario Securities Commission Rule 13-502 Fees, s. 2.2 and 6.1.

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

AND

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

AND

IN THE MATTER OF
MANULIFE FINANCIAL CORPORATION

AND

IN THE MATTER OF
THE MANUFACTURERS LIFE INSURANCE COMPANY

AND

IN THE MATTER OF
MANULIFE FINANCIAL CAPITAL TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**" and collectively the "**Decision Makers**") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, the Northwest Territories and Nunavut (the "**Jurisdictions**") has received an application (the "**Application**") from Manulife Financial Corporation ("**MFC**"), The Manufacturers Life Insurance Company ("**MLI**") and Manulife Financial Capital Trust (the "**Trust**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**"), that the requirements contained in the Legislation to:

(a) file interim financial statements and audited annual financial statements (collectively, "**Financial Statements**") with the Decision Makers and deliver such statements to the security holders of the Trust;

(b) prepare and file an annual information form ("**AIF**") with the Decision Makers;

(c) file interim and annual management's discussion and analysis ("**MD&A**") of the financial condition and results of operation of the Trust with the Decision Makers and send such MD&A to security holders of the Trust where applicable;

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

(e) except in Québec and British Columbia, file interim certificates ("**Interim Certificates**") with the Decision Makers under section 3.1 of MI 52-109; and

(f) pay a participation fee (the "**Participation Fee**") under section 2.2 of Ontario Securities Commission Rule 13-502 *Fees* ("**OSC Rule 13-502**");

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

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

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

AND WHEREAS MFC, MLI and the Trust have represented to the Decision Makers that:

The Manufacturers Life Insurance Company

1. MLI was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the then *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the *Insurance Companies Act* (Canada) ("**ICA**"), MLI undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. On September 23, 1999 MLI demutualized (the "**Demutualization**") pursuant to letters patent of conversion issued by the Minister of Finance.

2. MLI's head office is located in Ontario. MLI is regulated by the Office of the Superintendent of Financial Institutions (Canada) ("**OSFI**") and it is licensed under the insurance legislation of each province and territory of Canada. MLI is a reporting issuer or equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime and has held that status since filing a non-offering prospectus on May 19, 1994. To the best of its knowledge, MLI is not in default of any applicable requirement under the Legislation.

3. MLI has authorized share capital consisting of an unlimited number of Common Shares, an unlimited number of Class A Shares, issuable in series, an unlimited number of Class B Shares, issuable in series, an unlimited number of Class C Shares, issuable in series, and an unlimited number of Class D Shares, issuable in series. As of July 9, 2004, only Common Shares and 40,000 Class A Shares Series 1 of MLI (the "**MLI Class A Shares Series 1**") are issued and outstanding. MFC holds all of the issued and outstanding Common Shares of MLI. MFC subscribed for the MLI Class A Shares Series 1 in connection with the Offering (as defined below).

4. MLI obtained a decision document dated May 19, 2000 (the "**2000 MRRS Decision**"), pursuant to which the requirements contained in the Legislation to disclose material changes, to file Financial Statements and to file an annual report in circumstances where management was not required to send an information circular did not apply to MLI subject to certain specified conditions, including that MFC complied with such requirements, and the requirement that MLI file an AIF would be satisfied by the filing of an AIF by MFC.

5. The 2000 MRRS Decision was granted subject to various conditions, including the condition that MFC continued "to have no assets or liabilities (other than its direct or indirect beneficial holding of all of the outstanding voting securities of [MLI]) of more than nominal value having regard to the total consolidated assets of [MFC]". With the completion on April 28, 2004 of the merger (the "**Merger**") of MFC and John Hancock Financial Services, Inc. ("**John Hancock**"), by way of MFC's acquisition of all of the issued and outstanding shares of John Hancock common stock (resulting in John Hancock and its subsidiaries becoming "sister" companies to MLI), MFC ceased to satisfy this condition. Consequently, MLI must file its own disclosure documents in order to satisfy the continuous disclosure requirements of the Legislation and can no longer rely on MFC's filings.

Manulife Financial Corporation

6. MFC was incorporated under the ICA on April 26, 1999. On September 23, 1999, in connection with the Demutualization, MFC became the sole shareholder of MLI and certain holders of participating life insurance policies of MLI became shareholders of MFC. On September 24, 1999, MFC filed a final prospectus in connection with an initial treasury and secondary offering conducted in Canada and the United States. On April 28, 2004, MFC completed its Merger with John Hancock, and as a result MFC acquired all of the issued and outstanding shares of John Hancock common stock. MFC is a publicly traded company on the Toronto Stock Exchange, the New York Stock Exchange, the Stock Exchange of Hong Kong Limited and the Philippine Stock Exchange. The authorized share capital of MFC consists of Class A Shares, issuable in series, Class B Shares, issuable in series, and Common Shares, of which approximately 810.8 million Common Shares and 14 million non-voting Class A Shares, Series 1 were issued and outstanding as of July 9, 2004.

7. MFC is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime. To the best of its knowledge, MFC is not in default of any applicable requirement under the Legislation.

Manulife Financial Capital Trust

8. The Trust is an open-end trust established under the laws of the Province of Ontario by The Canada Trust Company (the "**Trustee**"), as trustee, pursuant to a declaration of trust made as

of October 30, 2001, as amended and restated on December 5, 2001 (the "**Declaration of Trust**").

9. The Trust's authorized capital consists of an unlimited number of Manulife Financial Capital Securities ("**MaCS**"), issuable in series, and an unlimited number of Special Trust Securities (the "**Special Trust Securities**") (the Special Trust Securities and MaCS are collectively referred to as the "**Trust Securities**"). The outstanding securities of the Trust consist of (i) Special Trust Securities, which are voting securities of the Trust, and (ii) MaCS - Series A (the "**MaCS - Series A**") and MaCS - Series B (the "**MaCS - Series B**").

10. The Trust is a sole purpose issuer established solely for the purpose of effecting the Offering (as defined below) in order to provide MLI (and indirectly, MFC) with a cost-effective means of raising capital for Canadian insurance company regulatory purposes by means of (i) creating and selling the Trust Securities, and (ii) acquiring and holding Trust Assets, which consist primarily of debentures issued by MLI (the "**MLI Debentures**"). The MLI Debentures generate income for distribution to holders of the Trust Securities. The Trust does not and will not carry on any operating activity other than in connection with the Offering. All of the voting securities of the Trust are held by MLI, which is a direct, wholly-owned subsidiary of MFC. As a result, the Trust is an indirect wholly-owned subsidiary of MFC.

11. The Trust is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime as a result of the filing of the final prospectus in connection with the Offering dated December 5, 2001 (the "**Prospectus**") and the issuance of the final MRRS Decision Document in relation to the Prospectus. To the best of its knowledge, the Trust is not in default of any applicable requirement under the Legislation.

12. The Trust obtained a decision document dated March 21, 2002 (the "**2002 MRRS Decision**"), pursuant to which the requirements contained in the Legislation to file Financial Statements, to make an annual filing in lieu of filing an information circular, to file an annual report and information circular in Québec and deliver such report and circular to the holders of the Trust Securities in Québec, and to prepare and file under various securities rules and regulations an AIF and MD&A and send such MD&A to the holders of the Trust Securities did not apply to the Trust, subject to certain specified conditions.

13. The Trust obtained a decision document dated March 12, 2004 (the "**2004 OSC Decision**"), pursuant to which the requirement to pay a participation fee under section 2.2 of Ontario Securities Commission Rule 13-502 *Fees* ("**OSC Rule 13-502**") did not apply to the Trust, subject to certain specified conditions.

14. As of April 28, 2004, the date of completion of the Merger, the Trust ceased to satisfy the conditions of the 2002 MRRS Decision and the 2004 OSC Decision. Consequently, the 2002 MRRS Decision expired on May 28, 2004 and the Trust no longer has the benefit of the 2004 OSC Decision.

MaCS

15. The Trust distributed MaCS - Series A and MaCS - Series B in the Jurisdictions under the Prospectus (the "**Offering**"). The MaCS - Series A are listed on the Toronto Stock Exchange. The MaCS - Series B are not listed on any public securities exchange. The Trust also issued and sold 2,000 Special Trust Securities to MLI in connection with the Offering.

16. The Prospectus also qualified certain other related securities for distribution in the Jurisdictions, including the Conversion Right which will allow the Trust to satisfy the Holder Exchange Right and the Automatic Exchange Right (each as defined below).

17. The Trust used the proceeds of the offering of MaCS - Series A to purchase a debenture issued by MLI (the "**MLI A Debenture**") and the proceeds of the offering of MaCS - Series B to purchase a second debenture issued by MLI (the "**MLI B Debenture**").

18. For simplicity, the balance of this decision generally only refers to the MaCS - Series A, Class A Shares Series 2 of MLI (the "**MLI Class A Shares Series 2**"), Class A Shares Series 3 of MLI (the "**MLI Class A Shares Series 3**") and the MLI A Debenture because the features of each series of MaCS and each related debenture issued by MLI are, in the case of the MaCS - Series B and the MLI B Debenture, the same as the MaCS - Series A and the MLI A Debenture described in this Application except for the following:

    (a) the indicated yield (constituted by the distribution payable on each series of MaCS) may be different;

    (b) the interest rate on each debenture may be different but will correspond to the indicated yield of the particular corresponding series of MaCS;

    (c) the redemption date of each debenture will be different; and

(d) each series of MaCS and the corresponding debenture will be exchangeable or convertible into separate series of shares of MLI with attributes similar to the MLI Class A Shares Series 2 and Series 3, except that the dates upon which various rights arise may be different from the MaCS - Series A and the MLI Class A Series 2 and Series 3.

All of these terms for the MaCS-Series A and the MaCS-Series B were fully set forth in the Prospectus.

19. Subject to paragraphs 20 and 21, each MaCS - Series A entitles the holder ("**MaCS Holders**") to receive a fixed cash distribution (a "**Distribution**") payable by the Trust on the last day of June and December of each year (each such day, a "**Distribution Date**" and each period from the Distribution Date to but excluding the next Distribution Date, a "**Distribution Period**").

20. MaCS Holders are not entitled to receive Distributions in respect of a particular Distribution Date if (i) MLI fails to declare dividends on its MLI Class A Shares Series 1 or (ii) MLI has not declared regular cash dividends on its public preferred shares, in either case, in the three month period immediately prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date.

21. Pursuant to the share exchange agreement (the "**Share Exchange Agreement**") entered into by MFC, MLI, the Trust and the Exchange Trustee on December 10, 2001, MFC and MLI have agreed, for the benefit of the holders of MaCS - Series A, that, in the event the Trust fails, on any Distribution Date, to pay in full Distributions on the MaCS - Series A to which the MaCS Holders are entitled, (i) MLI will not pay dividends of any kind on its preferred shares, and (ii) if MLI does not have any preferred shares outstanding, MFC will not pay dividends of any kind on its preferred shares or the MFC Common Shares, in each case, until a specific period of time has elapsed, unless the Trust first pays such Distribution (or the unpaid portion thereof) to MaCS Holders.

22. Upon the occurrence of certain adverse tax events or events relating to the treatment of MaCS - Series A for capital purposes, subject to regulatory approval and on not less than 30 nor more than 90 days' prior written notice, MaCS - Series A will be redeemable, at the option of the Trust and with the approval of the Superintendent of Financial Institutions (Canada) (the "**Superintendent**"), in whole (but not in part) for a cash amount.

23. On December 31, 2006 and on any subsequent Distribution Date thereafter, subject to regulatory approval and on not less than 30 nor more than 60 days' prior written notice, the MaCS - Series A will be redeemable in whole or in part for a cash amount, at the option of the Trust and subject to the approval of the Superintendent.

24. Holders of MaCS - Series A will have the right (the "**Holder Exchange Right**"), at any time, to surrender all or part of their MaCS - Series A to the Trust at a price for each MaCS - Series A equal to 40 MLI Class A Shares Series 2.

25. Each MaCS - Series A will be exchanged automatically (the "**Automatic Exchange**") without the consent of the holder, for 40 MLI Class A Shares Series 3 if: (i) an application for a winding-up order in respect of MLI pursuant to the *Winding-up and Restructuring Act* (Canada) (the "**Winding-up Act**") is filed by the Attorney General of Canada or a winding-up order in respect of MLI pursuant to the Winding-up Act is granted by a court; (ii) the Superintendent advises MLI in writing that the Superintendent has taken control of MLI or its assets pursuant to the ICA: (iii) the Superintendent advises MLI in writing that MLI has a net Tier 1 capital ratio of less than 75% or an MCCSR ratio of less than 120%; (iv) the board of directors of MLI advises the Superintendent in writing that MLI has a net Tier 1 capital ratio of less than 75% or an MCCSR ratio of less than 120%; or (v) the Superintendent directs MLI pursuant to the ICA to increase its capital or to provide additional liquidity and MLI elects to cause the exchange as a consequence of the issuance of such direction or MLI does not comply with such direction to the satisfaction of the Superintendent within the time specified.

26. The Holder Exchange Right and the Automatic Exchange will be effected through the right to convert the whole or a part of the MLI A Debenture into MLI Class A Shares Series 2 and MLI Class A Shares Series 3, respectively (the "**Conversion Right**"). Upon the exercise of the Holder Exchange Right or the Automatic Exchange, the Trust will convert the corresponding principal amount of the MLI A Debenture into MLI Class A Shares Series 2 or MLI Class A Shares Series 3, as the case may be.

27. The MLI Class A Shares Series 2 and the MLI Class A Shares Series 3 will be redeemable after specified dates, at the option of MLI and subject to regulatory approvals, by the payment of a cash amount or by the delivery of MFC Common Shares.

28. On and after June 30, 2051, the MLI Class A Shares Series 2 and MLI Class A Shares Series 3 will be exchangeable, at the option of the holder, into MFC Common Shares, except under certain circumstances.

29. As set forth in the Declaration of Trust, MaCS - Series A are non-voting except in certain limited circumstances and Special Trust Securities entitle the holders to vote.

30. Except to the extent that the Distributions are payable to MaCS Holders and, other than in the event of termination of the Trust (as set forth in the Declaration of Trust), MaCS Holders have no claim or entitlement to the income of the Trust or the assets held by the Trust.

31. In certain circumstances (as described in paragraph 25 above), including at a time when MLI's financial condition is deteriorating or proceedings for the winding-up of MLI have been commenced, the MaCS - Series A will be automatically exchanged for MLI Class A Shares Series 3 without the consent of MaCS Holders. As a result, MaCS Holders will have no claim or entitlement to the assets held by the Trust, other than indirectly in their capacity as preferred shareholders of MLI.

32. MaCS Holders may not take any action to terminate the Trust.

33. The Trust has not requested relief for the purpose of filing a short form prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**") (including, without limitation, any relief which would allow the Trust to use MFC's AIF as a current AIF of the Trust) and no such relief is provided by this Decision Document from any of the requirements of NI 44-101.

34. The return to Trust securityholders on their Trust Securities is dependent on the financial condition of MLI and MFC rather than the Trust.

35. Disclosure with respect to the Trust will continue to be provided in a note to the annual financial statements of MFC and will be provided in a note to the annual financial statements of MLI and financial statements of each of MFC and MLI will be delivered to all holders of MaCS who request such statements pursuant to the request form (the "**Request Form**") under section 4.6 of NI 51-102, at the same time and in the same manner as if the holders of MaCS were holders of MFC Common Shares and securities of MLI, other than debt securities. The Request Form will be sent annually to all holders of MaCS and will permit the holders to request a copy of the annual financial statements and related MD&A and interim financial statements and related MD&A for each of MFC and MLI.

36. The Certification Filings are intended to provide investors with assurance on the adequacy of (i) an issuer's interim financial statements and interim MD&A (collectively, the "**Interim Filings**"); (ii) an issuer's AIF, annual financial statements and annual MD&A (collectively, the "**Annual Filings**"); and (iii) disclosure controls, procedures and internal control over financial reporting for the issuer.

37. Investors in MaCS are ultimately concerned about the affairs and financial performance of MFC and MLI, as opposed to that of the Trust itself. Therefore, it is appropriate that MFC's and MLI's Certification Filings be available to holders of MaCS on the same basis as the Interim Filings and Annual Filings of MFC and MLI in lieu of the Certification Filings of the Trust.

38. As a reporting issuer, MFC had a market capitalization, as at December 31, 2003, of $20.6 billion and paid a Participation Fee of $75,000 for 2004. At such time, MFC had no assets or liabilities (other than its beneficial holding of all of the outstanding voting securities of MLI) of more than nominal value having regard to the total consolidated assets of MFC. MLI was accordingly exempt from paying the Participation Fee pursuant to section 2.2(2) of OSC Rule 13-502. As a result of the 2004 OSC Decision the market capitalization of the Trust was included in the calculation of the Participation Fee paid by MFC. As a result of the Merger, MLI no longer has the benefit of this exemption and will be required to pay a Participation Fee going forward and the Trust no longer has the benefit of the 2004 OSC Decision.

39. The Trust was established by MLI, and indirectly by MFC, to comply with regulatory requirements of OSFI respecting the issuance of innovative Tier 1 capital. Innovative instruments, such as the MaCS, must satisfy the detailed requirements of OSFI Interim Appendix to Guideline A-2 Principles Governing Inclusion of Innovative Instruments in Tier 1 Capital (the "**OSFI Guideline**"), to be included in Tier 1 capital. The OSFI Guideline requires that innovative instruments be issued by a separate special purpose issuer.

40. Issuing innovative instruments, such as the MaCS, is a cost-effective means of raising Tier 1 capital for MLI and MFC. However, the MaCS could not have been issued directly by either party under the OSFI Guideline. If MFC could issue the MaCS directly, this capital would be included in the calculation of the Participation Fee payable by MFC.

41. The Trust will not issue any further securities other than Special Trust Securities issued to MLI or to a direct or indirect wholly-owned subsidiary of MFC.

42. The Trust is a 'Class 1 reporting issuer' under OSC Rule 13-502. Its capitalization as at December 31, 2003 was approximately $1.1 billion. Accordingly, under OSC Rule 13-502

the Trust would be required to pay a participation fee of $50,000 for 2004 and each subsequent financial year. Assuming the MaCS were redeemed on June 30, 2012, the Trust would be required to pay aggregate participation fees of $400,000 over its remaining operational lifetime.

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

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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador under the Legislation (the **"Continuous Disclosure Decision"**) is that the requirement contained in the Legislation:

(a) to file Financial Statements with the Decision Makers and deliver such statements to holders of Trust Securities;

(b) to file an AIF with the Decision Makers; and

(c) to file interim and annual MD&A with the Decision Makers and send such MD&A to holders of Trust Securities where applicable;

shall not apply to the Trust for so long as:

(i) each of MFC and MLI files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) to (c) above of this Decision, at the same time as they are required under the Legislation to be filed by MFC and MLI, respectively;

(ii) MFC and MLI remain reporting issuers or the equivalent under the Legislation;

(iii) each of MFC and MLI sends its Financial Statements and interim and annual MD&A to holders of Trust Securities who request such materials pursuant to the Request Form at the same time and in the same manner as if the holders of Trust Securities were holders of MFC Common Shares and securities of MLI, other than debt securities, respectively;

(iv) all outstanding securities of the Trust are either MaCS or Special Trust Securities;

(v) the rights and obligations (other than the economic terms thereof) of holders of additional MaCS are the same in all material respects of the rights and obligations of the holders of MaCS - Series A and MaCS - Series B at the date hereof;

(vi) all of the outstanding Special Trust Securities are beneficially owned by MLI or any of its affiliates and all of the issued and outstanding voting shares of MLI or of its affiliate which owns the Special Trust Securities are beneficially owned by MFC; and

(vii) the Trust pays all applicable filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;

and /provided that this Decision shall expire 30 days after the date a material adverse change occurs in the affairs of the Trust.

September 7, 2004.

"Iva Vranic"

AND THE FURTHER DECISION of the Decision Makers in Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, the Northwest Territories and Nunavut under the Legislation (the **"Certification Filings Decision"**) is that the requirement contained in the Legislation:

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

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

shall not apply to the Trust for so long as:

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

(ii) each of MFC and MLI files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) and (b) above of this Decision, at the same time as they are required under the Legislation to be filed by MFC and MLI, respectively;

(iii) each of MFC and MLI files with the Decision Makers, in electronic format under the Trust's SEDAR profile, Financial Statements, AIFs and interim and annual MD&A of MFC and MLI, at the same time as they are required under the Legislation to be filed by MFC and MLI, respectively;

(iv) each of MFC and MLI sends its Financial Statements and interim and annual MD&A to holders of Trust Securities who request such materials pursuant to the Request Form at the same time and in the same manner as if the holders of Trust Securities were holders of MFC Common Shares and securities of MLI, other than debt securities, respectively;

(v) MFC and MLI remain reporting issuers or the equivalent under the Legislation;

(vi) all outstanding securities of the Trust are either MaCS or Special Trust Securities;

(vii) all of the outstanding Special Trust Securities are beneficially owned by MLI or any of its affiliates and all of the issued and outstanding voting shares of MLI or of its affiliate which owns the Special Trust Securities are beneficially owned by MFC;

(viii) the Trust pays all applicable filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) and (b) above of this Decision; and

(ix) the Trust qualifies for the relief contemplated by, and is in compliance with, the requirements and conditions of the Continuous Disclosure Decision;

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

September 7, 2004.

"Iva Vranic"

THE ORDER of the Decision Maker in Ontario under OSC Rule 13-502 is that the requirement to pay a Participation Fee under section 2.2 of OSC Rule 13-502 shall not apply to the Trust, for so long as:

(i) MFC, MLI and the Trust continue to satisfy all of the conditions contained in the Continuous Disclosure Decision and the Certification Filings Decision;

(ii) the Trust does not issue any further securities, other than Special Trust Securities issued to MLI or to a direct or indirect wholly-owned subsidiary of MFC; and

(iii) the capitalization of the Trust represented by the MaCS is included in the Participation Fee calculation applicable to MFC.

September 7, 2004.

"Iva Vranic"

2.2 Orders

2.2.1 Adriana Ventures 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 interim and annual financial statements – issuer has brought filings up to date – full revocation granted.

Statutes Cited

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

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

IN THE MATTER OF
ADRIANA VENTURES INC.

ORDER
(Section 144)

WHEREAS the securities of Adriana Ventures Inc. (formerly Agro Pacific Industries Ltd.) (the "Applicant") are subject to a cease trade order issued by the Ontario Securities Commission (the "Commission") on November 11, 2003 (the "Ontario CTO") which order was partially revoked on June 21, 2004;

AND WHEREAS the Applicant has applied to the Commission pursuant to section 144 of the Act (the "Application") for a revocation of the Ontario CTO;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant was formed on November 1, 1997 by amalgamation under the *Companies Act* (British Columbia). On May 21, 2002, the Applicant was continued as a federal company under the Canada Business Corporations Act.

2. The Applicant is a reporting issuer under the securities legislation of the provinces of British Columbia and Ontario.

3. The authorized share capital of the Applicant consists of an unlimited number of common shares with no par value, of which 5,732,423 common shares were issued and outstanding as of August 17, 2004. Other than its common shares, the Applicant has no securities, including debt securities, outstanding.

4. The Ontario CTO was issued as a result of the Applicant's failure to file its interim financial statements for the nine month period ended July 31, 2003. Subsequently, the Applicant failed to file its audited financial statements for the year ended October 31, 2003 and its interim financial statements for the three month period ended January 31, 2004.

5. The British Columbia Securities Commission (the "BCSC") also issued a cease trade order (the "BC CTO") dated November 6, 2003 relating to the failure of the Applicant to file its interim financial statements for the nine month period ended July 31, 2003.

6. On January 17, 2003, the Toronto Stock Exchange (the "TSX") suspended trading of the common shares of the Applicant for failure to meet certain continuous listing requirements. On January 16, 2004, the Applicant's common shares were de-listed from the TSX. The Applicant's common shares are not listed or quoted on any other exchange or market in Canada or elsewhere.

7. On June 21, 2004, the Commission issued an order under section 144 of the Act granting a partial revocation of the Ontario CTO to permit:

   a) the issuance of common shares (the "CCAA Shares") to the Applicant's creditors under a proposal made pursuant to the *Companies' Creditors Arrangement Act*;

   b) the issuance of common shares under a private placement for proceeds of $142,500 (the "Private Placement");

   c) a stock consolidation on the basis of one new common share for every ten old common shares (the "Stock Consolidation"); and

   d) all acts in furtherance of the completion of the issuance of the CCAA Shares, the Private Placement and the Stock Consolidation.

8. On June 22, 2004, the BCSC issued a partial revocation order under section 171 of the *Securities Act* (British Columbia) granting a partial revocation of the BC CTO for purposes set out above.

9. To bring its continuous disclosure records up to date, on June 30, 2004, the Applicant filed on SEDAR its interim financial statements for the nine month period ended July 31, 2003, its audited financial statements for the fiscal year ended October 31, 2003 and its interim financial statements for the three and six month periods ended January 31, 2004 and April 30, 2004, respectively.

10. On July 26, 2004, the Applicant issued 2,113,710 post-consolidated CCAA Shares, completed the Private Placement of 2,850,000 post-consolidated common shares and the Stock Consolidation, and changed its name to Adriana Ventures Inc.

11. On August 5, 2004, the Applicant applied to the TSX Venture Exchange to have its securities listed on the NEX Board. One of the requirements of the listing application is that the Applicant be in good standing under applicable corporate law and in good standing as a reporting issuer under applicable securities laws. The Applicant disclosed that it was subject to the Ontario CTO and BC CTO.

12. On August 16, 2004, the BCSC issued a full revocation of the BC CTO on the condition that no trades in the Applicant's securities are made until the Applicant's securities are listed for trading on the NEX Board.

13. The Applicant cannot complete the listing of its securities on the NEX Board until the Ontario CTO is revoked.

14. Except for the Ontario CTO, the Applicant is not in default of any requirement of the Act or the rules or regulation made under the Act.

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

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

IT IS ORDERED, Applicant's securities are made until its securities are listed for trading on the NEX Board.pursuant to section 144 of the Act, that the Ontario CTO be revoked provided that no trades in the

August 31, 2004.

"Kelly Gorman"

2.2.2 Deutsche Asset Management Canada Limited - s. 147

Headnote

Item F(1) of Appendix C of OSC Rule 13-502 Fees – exemption for pooled funds from paying an activity fee of $5,500 in connection with an application brought under subsection 147 of the Act, provided an activity fee be paid on the basis that the application be treated as an application for other regulatory relief under item F(3) of Appendix C of the Rule.

Rules Cited

Ontario Securities Commission Rule 13-502, Fees, (2003) 26 OSCB 4339 and 27 OSCB 7747.
Securities Act, R.S.O. 1990, c. S.5 as am., ss. 77(2) and ss. 78(1).

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

AND

IN THE MATTER OF
DEUTSCHE ASSET MANAGEMENT CANADA LIMITED

AND

SCUDDER CANADA GLOBAL EQUITY FUND
SCUDDER CANADA CONTRARIAN VALUE EQUITY FUND II
(the "Existing Pooled Funds")

ORDER
(Section 147 of the Act)

UPON the application (the "Application") of Deutsche Asset Management Canada Limited, ("DeAMCL"), the manager of the Existing Pooled Funds and any other pooled fund established and managed by DeAMCL from time to time (collectively the "Pooled Funds") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act exempting the Pooled Funds from filing with the Commission the interim and annual financial statements prescribed by subsections 77(2) and 78(1), respectively, of the Act.

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

AND UPON DeAMCL having represented to the Commission as follows:

1. DeAMCL is a corporation existing under the Canada Business Corporations Act with its registered office in Toronto, Ontario. DeAMCL is, or will be, the manager of the Pooled Funds. DeAMCL is registered under the Act as an advisor in the categories of investment counsel and portfolio manager.

2. The Pooled Funds are, or will be, open-ended mutual fund trusts created under the laws of Ontario. The Pooled Funds will not be reporting issuers in any province or territory of Canada. Units of the Pooled Funds are, or will be, distributed in each of the provinces and territories of Canada without a prospectus pursuant to exemptions from the prospectus delivery requirements of applicable securities legislation.

3. The Pooled Funds fit within the definition of "mutual fund in Ontario" in subsection 1(1) of the Act and are thus required to file with the Commission interim financial statements under subsection 77(2) of the Act and comparative annual financial statements under subsection 78(1) of the Act (collectively, the "Financial Statements").

4. Unitholders of the Pooled Funds (the "Unitholders") receive the Financial Statements for the Pooled Funds they hold. The Financial Statements are prepared and delivered to Unitholders in the form and for the periods required under the Act and the regulation or rules made thereunder (the "Regulation"). DeAMCL and the Pooled Funds will continue to rely on subsection 94(1) of the Regulation and will omit statements of portfolio transactions from the Financial Statements (such statements from which the statements of portfolio transactions have been omitted, the "Permitted Financial Statements").

5. As required by subsection 94(1) of the Regulation, the Permitted Financial Statements will contain a statement indicating that additional information as to portfolio transactions will be provided to a Unitholder without charge on request to a specified address and,

   (a) the omitted information shall be sent promptly and without charge to each Unitholder that requests it in compliance with the indication; and

   (b) where a person or company requests that such omitted information be sent routinely to that Unitholder, the request shall be carried out while the information continues to be omitted from the subsequent Financial Statements until the Unitholder requests, or agrees to, termination of the arrangement or is no longer a Unitholder.

6. Subsection 2.1(1) of National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR), requires that every issuer required to file a document under securities legislation make its filing through SEDAR. The Financial Statements filed with the Commission thus become publicly available.

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

IT IS ORDERED by the Commission pursuant to subsection 147 of the Act that the Pooled Funds be exempted from the requirements in subsections 77(2) and 78(1) of the Act to file the Financial Statements with the Commission, provided:

(a) In the absence of other regulatory relief, the Pooled Funds will prepare and deliver to the Unitholders of the Pooled Funds the Permitted Financial Statements, in the form and for the periods required under the Act and the Regulation;

(b) DeAMCL will retain the Financial Statements indefinitely;

(c) DeAMCL will provide the Financial Statements to the Commission or any member, employee or agent of the Commission immediately upon request of the Commission or any member, employee or agent of the Commission;

(d) DeAMCL will provide a list of the Pooled Funds relying on this Order to the Investment Funds Branch of the Commission on an annual basis;

(e) Unitholders of the Pooled Funds will be notified that the Pooled Funds are exempted from the requirements in subsections 77(2) and 78(1) of the Act to file the Financial Statements with the Commission;

(f) In all other aspects, the Pooled Funds will comply with the requirements of Ontario securities law for financial statements; and

(g) This decision, as it relates to the Commission, will terminate after the coming into force of any legislation or rule of the Commission dealing with the matters regulated by subsections 77(2) and 78(1) of the Act.

August 20, 2004.

"Paul M. Moore" "Harold P. Hands"

2.2.3 Cogient Corp. - s. 144

Headnote

Section 144 - Partial revocation of cease trade order to permit trades of securities in connection with a financing.

Applicable Ontario Statutory Provisions

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

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

AND

IN THE MATTER OF
COGIENT CORP.

ORDER
(Section 144)

WHEREAS the securities of Cogient Corp. (the Applicant) are subject to a cease trade order issued by the Ontario Securities Commission (the Commission) on August 20, 2004 (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 formed by articles of incorporation under the *Business Corporations Act* (Ontario) on April 29, 1983.

2. The Applicant has been a reporting issuer under the Act since July 11, 1983;

3. The Cease Trade Order was issued due to the failure of the Applicant to file with the Commission its audited financial statements (the Financial Statements) for the fiscal year ended March 31, 2004.

4. 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 failure to file the Financial Statements, interim unaudited financial statements for the three month period ended June 30, 2004 (the Interim Financial Statements) and failure to pay annual participation fees to the Commission.

5. Prior to the date hereof, the Applicant had not remedied the deficiencies described in paragraph 4, other than paying the applicable participation fee and related late fee, as it did not have sufficient funds to do so.

6. The Applicant has not previously been subject to a cease trade order of the Commission, except for a previous cease trade order dated September 13, 1995.

7. The Applicant's authorized capital consists of an unlimited number of common shares (the Common Shares) and 8,000,000 preference shares (the Preference Shares), issuable in series, of which approximately 40,291,600 Common Shares and 2,000,000 Preference Shares are issued and outstanding.

8. The Applicant is proposing to proceed with a $175,000 financing (the Proposed Financing) of convertible secured debentures (the Debentures) to various investors (the Potential Investors) sufficient to provide working capital to the Applicant.

9. Proceeds from the Proposed Financing will be used to permit the Applicant to pay for:

   (a) the preparation and audit of the Financial Statements;

   (b) the preparation of the Interim Financial Statements;

   (c) the services of legal counsel with regard to the preparation for the Proposed Financing and the application for this Order and the final revocation order; and

   (d) general working capital purposes.

10. Prior to completion of the Proposed Financing, each Potential Investor approached by the Applicant shall:

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

    (b) receive a copy of this Order; and

    (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 Debentures issued in connection with the Proposed Financing and any Common Shares issued upon conversion of the Debentures, will remain subject to the Cease Trade Order following the closing of the Proposed Financing.

11. 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.

12. 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.

13. Following the completion of the Proposed Financing, the Applicant intends to make a further application for a full revocation of the Cease Trade Order, on or about September 17, 2004, but in any event no later than September 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 the Financial Statements.

14. Trades in the Common Shares are reported on the Canadian Unlisted Board. The Applicant has no securities, including debt securities, listed or quoted on any exchange or market.

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 Proposed Financing; and

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

September 1, 2004.

"John Hughes"

2.2.4 Nuveen Investments Canada Co. - s. 5.1 of OSC Rule 31-506

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to conditions, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer will conduct limited mutual fund dealer activities only - mutual fund dealer subject to terms and conditions of registration.

Statute Cited

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

Rule Cited

Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1, 5.1.

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

AND

ONTARIO SECURITIES COMMISSION RULE 31-506
SRO MEMBERSHIP – MUTUAL FUND DEALERS
(the "Rule")

AND

IN THE MATTER OF
NUVEEN INVESTMENTS CANADA CO.

ORDER

UPON the Director having received an application (the "Application") from Nuveen Investments Canada Co. ("Nuveen Canada") for a decision (the "Decision"), pursuant to section 5.1 of the Rule, exempting Nuveen Canada from the requirements of Section 2.1 of the Rule, which would otherwise require Nuveen Canada be a member of the Mutual Fund Dealers Association of Canada (the "MFDA");

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

AND UPON the Registrant having represented to the Director that:

1. Nuveen Canada is a corporation incorporated under the laws of Nova Scotia. Nuveen Canada has applied for registration as a mutual fund dealer in Ontario;

2. Nuveen Canada proposes to act as the manager of mutual funds (the "Funds") proposed to be offered for sale in some or all of the provinces and

territories of Canada under one or more simplified prospectuses or offering memoranda;

3. it is proposed that securities of the Funds will be sold to the public through registered dealers;

4. Nuveen Canada's activities as a mutual fund dealer will represent activities that are incidental to its principal business activity of managing mutual funds;

5. Nuveen Canada has agreed to the imposition of the terms and conditions on its registration as a mutual fund dealer set out in the attached Schedule "A", which outlines the activities Nuveen Canada has agreed to adhere to in connection with its application for this decision;

6. the requested relief is currently required in Ontario only and no similar application has been filed in any other jurisdiction;

7. any person or company will, before they are accepted as a mutual fund client of Nuveen Canada, receive prominent written notice from Nuveen Canada that:

Nuveen Canada is not currently a member, and does not intend to become a member of the Mutual Fund Dealers Association; consequently, clients of Nuveen Canada will not have available to them investor protection benefits that would otherwise derive from membership of Nuveen Canada in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA;

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

IT IS THE DECISION of the Director, pursuant to section 5.1 of the Rule, that, Nuveen Canada is exempt from the requirements in section 2.1 of the Rule;

PROVIDED THAT: Nuveen Canada complies with the terms and conditions on its registration under the Act as a mutual fund dealer set out in the attached Schedule "A".

September 7, 2004.

"David M. Gilkes"

SCHEDULE "A"

TERMS AND CONDITIONS OF REGISTRATION OF NUVEEN INVESTMENTS CANADA CO. (the "Registrant") AS A MUTUAL FUND DEALER

Definitions

1. For the purposes hereof, unless the context otherwise requires:

(a) "Act" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

(b) "Adviser" means an adviser as defined in subsection 1(1) of the Act;

(c) "Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where, immediately before the trade, the person or company is shown on the records of the mutual fund or of an other mutual fund managed by the Registrant or an affiliate of the Registrant as the holder of securities of such mutual fund, and the trade consists of:

(i) a purchase, by the person or company, through the Registrant, of securities of the mutual fund; or

(ii) a redemption, by the person or company, through the Registrant, of securities of the mutual fund;

and where, the person or company:

(iii) is a client of the Registrant that was not solicited by the Registrant; or

(iv) was an existing client of the Registrant on the Effective Date;

(d) "Commission" means the Ontario Securities Commission;

(e) "Effective Date" means August 30, 2004;

(f) "Employee", for the Registrant, means:

(i) an employee of the Registrant;

(ii) an employee of an affiliated entity of the Registrant; or

(iii) an individual that is engaged to provide, on a *bona fide* basis, consulting, technical, management or other services to the Registrant or to an affiliated entity of the Registrant, under a written contract between the Registrant or the affiliated entity and the individual or a consultant company or consultant partnership of the individual, and, in the reasonable opinion of the Registrant, the individual spends or will spend a significant amount of time and attention on the affairs and business of the Registrant or an affiliated entity of the Registrant;

(g) "Employee", for a Service Provider, means an employee of the Service Provider or an affiliated entity of the Service Provider, provided that, at the relevant time, in the reasonable opinion of the Registrant, the employee spends or will spend, a significant amount of time and attention on the affairs and business of:

(i) the Registrant or an affiliated entity of the Registrant; or

(ii) a mutual fund managed by the Registrant or an affiliated entity of the Registrant;

(h) "Employee Rule" means Commission Rule 45-503 Trades To Employees, Executives and Consultants;

(i) "Executive", for the Registrant, means a director, officer or partner of the Registrant or of an affiliated entity of the Registrant;

(j) "Executive", for a Service Provider, means a director, officer or partner of the Service Provider or of an affiliated entity of the Service Provider;

(k) "Exempt Trade", for the Registrant, means:

(i) a trade in securities of a mutual fund that is made between a person or company and an underwriter acting as purchaser or between or among underwriters; or

(ii) a trade in securities of a mutual fund for which the Registrant

would have available to it an exemption from the registration requirements of clause 25(1)(a) of the Act if the Registrant were not a "market intermediary" as such term is defined in section 204 of the Regulation;

(l) "Fund-on-Fund Trade", for the Registrant, means a trade that consists of:

(i) a purchase, through the Registrant, of securities of a mutual fund that is made by another mutual fund;

(ii) a purchase, through the Registrant, of securities of a mutual fund that is made by a counterparty, an affiliated entity of the counterparty or an other person or company, pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; or

(iii) a sale, through the Registrant, of securities of a mutual fund that is made by another mutual fund where the party purchasing the securities is:

(A) a mutual fund managed by the Registrant or an affiliated entity of the Registrant; or

(B) a counterparty, affiliated entity or other person or company that acquired the securities pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; and

where, in each case, at least one of the referenced mutual funds is a mutual fund that is managed by either the Registrant or an affiliated entity of the Registrant;

(m) "In Furtherance Trade" means, for the Registrant, a trade by the Registrant that consists of any act, advertisement, or solicitation, directly or indirectly in furtherance of any other trade in securities of a mutual fund, where the other trade consists of:

(i) a purchase or sale of securities of a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(ii) a purchase or sale of securities of a mutual fund where the Registrant acts as the principal distributor of the mutual fund;

and where, in each case, the purchase or sale is made by or through another registered dealer if the Registrant is not otherwise permitted to make the purchase or sale pursuant to these terms and conditions;

(n) "Mutual Fund Instrument" means National Instrument 81-102 Mutual Funds, as amended;

(o) "Permitted Client", for the Registrant, means a person or company that is a client of the Registrant, and that is, or was at the time the person or company became a client of the Registrant:

(i) an Executive or Employee of the Registrant;

(ii) a Related Party of an Executive or Employee of the Registrant;

(iii) a Service Provider of the Registrant or an affiliated entity of a Service Provider of the Registrant;

(iv) an Executive or Employee of a Service Provider of the Registrant; or

(v) a Related Party of an Executive or Employee of a Service Provider of the Registrant;

(p) "Permitted Client Trade" means, for the Registrant, a trade to a person who is a Permitted Client or who represents to the Registrant that he, she or it is a person included in the definition of Permitted Client, in securities of a mutual fund that is managed by the Registrant or an affiliate of the Registrant, and the trade

consists of a purchase or redemption, by the person, through the Registrant, of securities of the mutual fund;

(q) "Registered Plan" means a registered pension plan, deferred profit sharing plan, registered retirement savings plan, registered retirement income fund, registered education savings plan or other deferred income plan registered under the *Income Tax Act* (Canada);

(r) "Registrant" means Nuveen Investments Canada Co.;

(s) "Regulation" means R.R.O. 1990, Reg. 1015, as amended, made under the Act;

(t) "Related Party", for a person, means any other person who is:

(i) the spouse of the person;

(ii) the issue of:

(A) the person,

(B) the spouse of the person, or

(C) the spouse of any person that is the issue of a person referred to in subparagraphs (A) or (B) above;

(iii) the parent, grandparent or sibling of the person, or the spouse of any of them;

(iv) the issue of any person referred to in paragraph (iii) above; or

(v) a Registered Plan established by, or for the exclusive benefit of, one, some or all of the foregoing;

(vi) a trust where one or more of the trustees is a person referred to above and the beneficiaries of the trust are restricted to one, some, or all of the foregoing;

(vii) a corporation where all the issued and outstanding shares of the corporation are owned by one, some, or all of the foregoing;

(u) "securities", for a mutual fund, means shares or units of the mutual fund;

(v) "Seed Capital Trade" means a trade in securities of a mutual fund made to a person or company referred to in any of subparagraphs 3.1(1)(a)(i) to 3.1(1)(a)(iii) of the Mutual Fund Instrument;

(w) "Service Provider", for the Registrant, means:

(i) a person or company that provides or has provided professional, consulting, technical, management or other services to the Registrant or an affiliated entity of the Registrant;

(ii) an Adviser to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(iii) a person or company that provides or has provided professional, consulting, technical, management or other services to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant.

2. For the purposes hereof, a person or company is considered to be an "affiliated entity" of an other person or company if the person or company would be an affiliated entity of that other person or company for the purposes of the Employee Rule.

3. For the purposes hereof:

(a) "issue", "niece", "nephew" and "sibling" includes any person having such relationship through adoption, whether legally or in fact;

(b) "parent" and "grandparent" includes a parent or grandparent through adoption, whether legally or in fact;

(c) "registered dealer" means a person or company that is registered under the Act as a dealer in a category that permits the person or company to act as dealer for the subject trade; and

(d) "spouse", for an Employee or Executive, means a person who, at the relevant time, is the spouse of the Employee or Executive.

4. Any terms that are not specifically defined above shall, unless the context otherwise requires, have the meaning:

(a) specifically ascribed to such term in the Mutual Fund Instrument; or

(b) if no meaning is specifically ascribed to such term in the Mutual Fund Instrument, the same meaning the term would have for the purposes of the Act.

Restricted Registration

Permitted Activities

5. The registration of the Registrant as a mutual fund dealer under the Act shall be for the purposes only of trading by the Registrant in securities of a mutual fund where the trade consists of:

(a) a Client Name Trade;

(b) an Exempt Trade;

(c) a Fund-on-Fund Trade;

(d) an In Furtherance Trade;

(e) a Permitted Client Trade; or

(f) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (e), the trades are limited and incidental to the principal business of the Registrant.

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Revoke
Canada's Pizza Delivery Corp.	03 Sep 04	15 Sep 04		
Guest-Tek Interactive Entertainment Ltd.	02 Sep 04	14 Sep 04		
Mississauga Teachers Retirement Village Limited Partnership	02 Sep 04	14 Sept 04		
Racad Technologies Ltd.	03 Sep 04	15 Sep 04		07 Sep 04
Valucap Investments Inc.	03 Sep 04	15 Sep 04		

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Hollinger Canadian Newspapers, Limited Partnership	18 May 04	01 Jun 04	01 Jun 04		
Hollinger Inc.	18 May 04	01 Jun 04	01 Jun 04		
Hollinger International Inc.	18 May 04	01 Jun 04	01 Jun 04		
Nortel Networks Corporation	17 May 04	31 May 04	31 May 04		
Nortel Networks Limited	17 May 04	31 May 04	31 May 04		
Wastecorp. International Investments Inc.	20 Jul 04	30 Jul 04	30 Jul 04		

This page intentionally left blank

Chapter 6

Request for Comments

6.1.1 CSA Notice and Request for Comment Proposed Repeal and Replacement of National Instrument 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1, and Companion Policy 43-101CP

CANADIAN SECURITIES ADMINISTRATORS

NOTICE AND REQUEST FOR COMMENT

PROPOSED REPEAL AND REPLACEMENT OF NATIONAL INSTRUMENT 43-101 *STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS,* FORM 43-101F1, AND COMPANION POLICY 43-101CP

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

- National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (Amended NI 43-101 or NI 43-101)
- Form 43-101F1 (Amended Form)
- Companion Policy 43-101 (Amended Companion Policy)

collectively, "the Amended Mining Rule".

The text of the Amended Mining Rule is being published concurrently with this Notice and can also be obtained on websites of CSA members, including the following:

- www.albertasecurities.com
- www.bcsc.bc.ca
- www.osc.gov.on.ca
- www.lautorite.qc.ca

The Amended Mining Rule would replace the current National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (Current NI 43-101), current Form 43-101F1 (Current Form), and current Companion Policy 43-101CP (Current Companion Policy) (collectively, the Current Mining Rule) that came into effect as either a rule, a policy, or a regulation, in all CSA jurisdictions on February 1, 2001.

Each member of the CSA is expected to repeal the Current Mining Rule and replace it with the Amended Mining Rule. The Amended NI 43-101 and Amended Form will be implemented as a rule, commission regulation, or policy in all CSA member jurisdictions.[1]

Substance and Purpose of the Amended Mining Rule

We have been monitoring the Current Mining Rule since we adopted it. We have identified a number of areas where the Current Mining Rule is not operating as we intended, so are proposing a number of changes that will:

- reflect changes that have occurred in the mining industry,
- correct errors,
- simplify the drafting,

[1] In Ontario, the following provisions of the *Securities Act* provide the Ontario Securities Commission with authority to make the Amended NI 43-101: paragraphs 143(1)13, 18, 22, 24 and 39.

- provide exemptions in specified circumstances, and
- generally make the Current Mining Rule more user-friendly and practical.

Summary of Amendments

This section describes some of the key changes we are making in the Amended Mining Rule.

NI 43-101

Part 1

We have:

- deleted the application section. To clarify the scope of the rule, we have added to other provisions, where necessary, the phrase "scientific and technical information made by or on behalf of an issuer" to catch what was lost by removing section 1.1.
- removed the definition of "disclosure document".
- changed the definition of "mineral project" to clarify that Amended NI 43-101 also applies to a royalty, net profits interest, or similar interest in a property.
- changed the definition of "preliminary assessment" and expanded it to be an early stage study that includes an economic evaluation using inferred, indicated, or measured mineral resources, or any combination of these.
- added to the definition of "professional association".
- changed the definition of independence into a results based definition. The Current NI 43-101 lists some specific relationships that make a qualified person not independent but missed many other circumstances that compromise independence. To assist the interpretation of and application of the proposed new definition, we have provided guidance and examples of non-independence in the Amended Companion Policy.

Part 2

We have:

- removed subsection 2.3(3)(c) which is the requirement to pre-file in Ontario the disclosure of a preliminary assessment.
- removed subsections 2.4(a) and (b). Those subsections refer to historical estimates made by a person or company other than the issuer and historical estimates made by the issuer, respectively. These changes make the restrictions on disclosure of historical estimates the same for both estimates that the issuer makes or a person or company other than the issuer makes.

Part 3

We have:

- limited the circumstances when we expect an issuer to make the proximate statement that mineral resources which are not mineral reserves do not have demonstrated economic viability in section 3.4(e).
- changed sections 3.2, 3.3, 3.4, and 3.5 to permit an issuer to more broadly cross-reference to previous disclosure that complies with these sections if it is contained in any document that has been previously filed with a securities regulatory authority.

Part 4

We have:

- changed section 4.2(2) to clarify that a reporting issuer in one Canadian jurisdiction that becomes a reporting issuer in another Canadian jurisdiction is not required to re-file the same technical report that is already in SEDAR, provided that there are no material changes in the information. Instead, the issuer only has to file, with the new jurisdiction, the required notice with reference to the previously filed technical report.

- clarified sections 4.2(1) 1. to 10. to make these triggers for a technical report easier to understand. Also, the Amended NI 43-101 provides that an offering memorandum will not trigger a technical report if the issuer is using an offering memorandum with the accredited investor exemption. We moved the directors' circular trigger into subsection 4.2(1) 10. We added a TSX Venture Exchange Short Form Offering Document as a new trigger for an independent technical report when it is filed with a securities regulatory authority that provides a prospectus exemption for those types of offerings.

- added "annual management's discussion and analysis" to the annual information form and annual report triggers under section 4.2(1) 6. By this change, we expect a venture issuer (as defined in the CD Rule referred to below) that does not file an annual information form to file a technical report annually at the same time as the management's discussion and analysis (MD&A) when its annual financial statements are due if the MD&A discloses material information concerning mining projects on material properties not contained in a previously filed technical report.

  We are proposing this change because the combination of new National Instrument 51-102 *Continuous Disclosure Obligations* (the CD Rule) and changes to Multilateral Instrument 45-102 *Resale of Securities* (the Resale Rule) means that some venture issuers will no longer file annual information forms. Because some venture issuers may not file annual information forms, we are concerned that an extended period of time could pass before a venture issuer supports its ongoing technical disclosure with a technical report. To address this, we expect that a venture issuer that does not file an annual information form will file a technical report annually at the same time as its annual MD&A is due if the MD&A discloses material information concerning mining projects on material properties not contained in a previously filed technical report.

- added the phrase "or made available to the public" to subsection 4.2(3) for the purpose of the annual report trigger that is currently in subsection 4.2(1) 6. Even though an annual report is not a required filing under provincial or territorial securities laws, it will trigger a technical report that must be filed no later than when the annual report is made available to the public.

- added subsection 4.2(7) which provides that if an issuer triggers the requirement to file a new technical report, it will not have to re-file a technical report that is already filed on SEDAR if that technical report is still current. The issuer will only have to file the qualified person's updated certificate and consent.

Part 5

We have:

- changed subsection 5.3(1) 1 to require an independent technical report only for the first time an issuer becomes a reporting issuer in any one Canadian jurisdiction.

- changed the relief under subsection 5.3(3) to make it more functional. The proposed change relieves a joint venture participant from the requirement for an independent technical report if the qualified person preparing the report relies on scientific and technical information provided by a qualified person that is an employee of a producing issuer that is a participant in the joint venture.

Part 6

The changes under this part clarify that we expect the personal inspection to be current. The Amended Companion Policy gives guidance as to what current means for this purpose.

Part 7

We have added the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC Code) and replaced USGS Circular 831 with the SEC Industry Guide 7 as acceptable foreign codes for reporting mineral resources and mineral reserves, subject to the conditions set out in section 7.1.

Part 8

We have changed the content of the statements required in the qualified person's certificate and consent.

Part 9

We have:

- added exemptions for certain circumstances. We have added section 9.2 to provide an exemption from the personal inspection requirement only for grassroots exploration properties if the reason the qualified person cannot visit the property is due to extreme seasonal weather conditions. Subsection 9.2(2) provides the conditions for this exemption and the Amended Companion Policy provides guidance about the use of this exemption.

- added section 9.3 to provide an exemption from the Amended Mining Rule for certain foreign issuers under specified circumstances.

We have also made a number of minor drafting changes that are designed to streamline and clarify the Current NI 43-101.

Form

We have added some new instructions to the Amended Form and eliminated some requirements in Item 12 – Exploration and Item 17 – Adjacent Properties.

The new instruction (7) provides that disclaimers are not permitted in technical reports filed under NI 43-101 except for the limited purposes set out in Item 5. We have changed the title of Item 5 to "Reliance on Other Experts" from "Disclaimers" to better reflect the purpose for which Item 5 is intended. Item 5 was not intended to permit a qualified person to disclaim liability to third parties in connection with public disclosure made by an issuer based upon a qualified person's technical report.

We're concerned about the use of such blanket disclaimers by some qualified persons in technical reports filed to support public disclosure under NI 43-101. These disclaimers generally purport to insulate the qualified person from any liability to third parties in connection with the technical report written by the qualified person and filed to support public disclosure. We're concerned about the use of such disclaimers, particularly in the context of public offerings, because they are potentially misleading and inappropriate. We're also of the view that they are unnecessary because securities legislation already provides qualified persons with protections as they are liable only for disclosure to which they consent and only when they are not diligent in the preparation of their technical report. We provide additional guidance regarding the use of blanket disclaimers in section 5.2 of the Amended Companion Policy.

We have also made a number of minor drafting changes that are designed to streamline and clarify the Current Form.

Companion Policy

We have added some new guidance in the Amended Companion Policy to recognize industry developments in the areas of best practices, the reporting of coal resources and reserves, and the reporting of diamond exploration results. We have amended the guidance provided on materiality by deleting reference to the 10 percent of book value test and providing new examples of when a property may be material to an issuer. We have inserted new guidance in section 5.2 regarding the prohibition of the use of third party disclaimers in technical reports. We have also added some provisions to the Amended Companion Policy that were previously contained in the CSA Staff Notice 43-302 *Frequently Asked Questions* and made a number of minor drafting changes.

Costs and Benefits

We believe that the Amended Mining Rule will enhance efficiency for market participants that are subject to NI 43-101 by

- simplifying and providing greater clarity as to how it applies in certain circumstances,

- in Ontario, removing the requirement to pre-file a preliminary assessment,

- permitting more cross-referencing to previously filed disclosure,

- removing the requirement to file a technical report with an offering memorandum if the issuer is using one in conjunction with a trade using the accredited investor exemption,

- removing the requirement to apply for relief when using the SAMREC Code and the SEC Industry Guide 7, and

- providing new exemptions from some of the Current Mining Rule's requirements.

Mining issuers should see a decrease in their costs of compliance with NI 43-101 as a result of our changes. Venture issuers who filed a technical report to support an annual information form required prior to the effective date of the CD Rule and Resale Rule should encounter no change in their costs of compliance with NI 43-101 at that time compared to the requirement under the Amended NI 43-101 to file a technical report to support scientific and technical disclosure in their MD&A.

Specific Request for Comment on Proposed Amendments to NI 43-101

We request your comments on the Amended Mining Rule. In addition to any comments you wish to make, we also invite comments on the following specific questions:

1. Do you think that issuers whose only interest in a mineral project is a royalty interest should be subject to NI 43-101 in the same manner and to the same extent as other mining issuers?

   One of the changes in the Amended NI 43-101 is an addition to the definition of "mineral projects" to clarify that the rule also applies to an issuer that has a royalty, net profits interests, or similar interest in a mineral project. We think NI 43-101 should apply to this type of issuer because the technical information on the mineral projects underlying a royalty interest is material information about a royalty issuer. Consequently, a royalty issuer should be subject to requirements regarding the disclosure of this technical information. We also recognize, however, that a royalty interest is different because it merely entitles its holder to receive an income stream. The holder of such an interest has likely never held any form of direct ownership interest in the mineral project or conducted any work on the mineral project.

   Do you think these types of issuers should comply with all provisions of the rule? As an alternative, should they only be relieved of the requirement to file a technical report because it may be difficult for them to get the information they require from the operating company to prepare one. On the other hand, is it reasonable to expect that these types of issuers ensure that their contract negotiations with the operating companies includes access to the information required to complete a technical report?

2. Do you think that the site visit relief in the case of extreme seasonal weather conditions for grassroots exploration properties that we propose under section 9.2 should be more limited? For example, should the relief only apply to a mineral project that the issuer owns or has an interest in for no longer than six months prior to the time it is required to file a technical report?

   The addition of section 9.2 in the Amended NI 43-101 will exempt an issuer from the site visit requirement for a mineral project on a grassroots exploration property. The guidance in the Amended Companion Policy explains that an issuer can only use it if extreme seasonal weather conditions make the property inaccessible or of no use to visit in time for the issuer to complete the site visit requirement before it must file a technical report for the property that is the subject of the technical report.

   However, we are considering limiting this relief so that it only applies to a mineral project that the issuer owns or has an interest in for no longer than six months prior to the time it is required to file a technical report. This limitation would prevent the potential for misuse of this relief that might occur when an issuer has a mineral project for several years but does not arrange its affairs in time to have its qualified person conduct a site visit before the extreme seasonal weather conditions occur. Do you think that we should limit this relief in this manner?

How to Provide Your Comments

Please provide your comments by **Friday, December 10, 2004**.

Please address your submission to all the CSA member commissions, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

You do not need to deliver your comments to all the CSA member commissions. Please deliver your comments **only** to the following addresses, and they will be distributed to all other jurisdictions by CSA staff.

Pamela Egger
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
PO Box 10142 Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Tel: (604) 899-6867
Fax: (604) 899-6581
E-mail: pegger@bcsc.bc.ca

Anne-Marie Beaudoin
Directrice du secrétariat de l'Autorité
Autorité des marchés financiers
800, square Victoria, 22 e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax : (514) 864-6381
E-mail : consultation-en-cours@lautorite.qc.ca

If you are not sending your comments by e-mail, please send a diskette containing your comments (in DOS or Windows format, preferable Word).

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Questions

If you have any questions, please refer them to any of the following:

Pamela Egger
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
Tel: (604) 899-6867
E-mail: pegger@bcsc.bc.ca

Gregory Gosson
Chief Mining Advisor
British Columbia Securities Commission
Tel: (604) 899-6519
E-mail: ggosson@bcsc.bc.ca

Doug Welsh
Legal Counsel, Corporate Finance
Ontario Securities Commission
Tel: (416) 593-8068
E-mail: dwelsh@osc.gov.on.ca

Deborah McCombe
Chief Mining Consultant
Ontario Securities Commission
Tel: (416) 593-8151
E-mail: dmccombe@osc.gov.on.ca

Jo-Anne Bund
Senior Legal Counsel
Alberta Securities Commission
Tel: (403) 297-7274
E-mail: joanne.bund@seccom.ab.ca

Bill Lawes
Securities Analyst
Alberta Securities Commission
Tel: (403) 297-8048
E-mail: bill.lawes@seccom.ab.ca

Pierre Martin
Senior Legal Counsel
Service de la réglementation
Autorité des marchés financiers
Tel: (514) 940-2199, ext. 2409
E-mail : pierre.martin@lautorite.qc.ca

September 10, 2004.

6.1.2 Proposed National Instrument 43-101 Standards of Disclosure for Mineral Projects

PROPOSED NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

TABLE OF CONTENTS

PROPOSED NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

~~PART 1 APPLICATION,~~ DEFINITIONS AND INTERPRETATION

~~**1.1 Application** - This Instrument applies to all oral statements and written disclosure of scientific or technical information, including disclosure of a mineral resource or mineral reserve, made by or on behalf of an issuer in respect of a mineral project of the issuer.~~

1.1 ~~1.2~~ Definitions - In this Instrument

"adjacent property" means a property

(a) in which the issuer does not have an interest;

(b) that has a boundary reasonably proximate to the closest boundary of the property being reported on; and

(c) that has geological characteristics similar to those of the property being reported on;

"data verification" means the process of confirming that data has been generated with proper procedures, has been accurately transcribed from the original source and is suitable to be used;

"development property" means a property that is being prepared for mineral production and for which economic viability has been demonstrated by a feasibility study;

"disclosure" means any oral statement or written disclosure made by or on behalf of an issuer and intended to be, or reasonably likely to be, made available to the public in a Canadian jurisdiction, whether or not filed under securities legislation, but does not include written disclosure that is made available to the public only by reason of having been filed with a government or agency of government pursuant to a requirement of law other than securities legislation;

"~~disclosure document" means an annual information form, prospectus, material change report or annual financial statement filed with a regulator pursuant to a requirement of securities legislation;~~"exploration information" means geological, geophysical, geochemical, sampling, drilling, **trenching,** analytical testing, assaying, mineralogical, metallurgical and other similar information concerning a particular property that is derived from activities undertaken to locate, investigate, define or delineate a mineral prospect or mineral deposit;

"feasibility study" means a comprehensive study of a **mineral** deposit in which all geological, engineering, **legal,** operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production;

"~~IMM~~**grassroots exploration property" means a property that has had no drilling or trenching activity and no drilling or trenching is proposed for the property in a technical report filed with a securities regulatory authority or Canadian recognized exchange, as defined under provincial and territorial securities legislation;**

"IMMM system" means the classification system and definitions for mineral resources and mineral reserves approved from time to time by The Institution of **Materials, Minerals, and** Mining ~~and Metallurgy~~ in the United Kingdom **as amended or supplemented**;

"JORC Code" means the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia as amended or supplemented;

"mineral project" means any exploration, development or production activity**, including a royalty, net profits interest, or similar interest in these activities,** in respect of natural~~,~~ solid~~,~~ inorganic or **natural solid** fossilized organic, material including base and precious metals, coal**,** and industrial minerals;

"preliminary assessment" means ~~a preliminary assessment permitted to be disclosed pursuant to subsection 2.3(3);~~**an assessment that includes an economic evaluation of the potential viability of a mineral project taken at an early stage of the project prior to a preliminary feasibility study;**

"preliminary feasibility study" and "pre-feasibility study" each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established~~, and which, if~~ **where** an effective method of mineral processing has been determined, **and** includes a financial analysis based on reasonable assumptions of technical, engineering, **legal,** operating, economic factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve;

"producing issuer" means an issuer ~~the~~**whose** annual audited financial statements ~~of which~~ disclose

(a) gross revenues, derived from mining operations, of at least $30 million for the issuer's most recently completed financial year; and

(b) gross revenues, derived from mining operations, of at least $90 million in the aggregate for the issuer's three most recently completed financial years;

"professional association" means a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that

(a) is either

(i) ~~(a) has been~~ given authority or recognition by statute~~;~~ **in a Canadian jurisdiction, or**

(ii) accepted by the securities regulatory authority or regulator in a notice published for this purpose;

(b) admits members primarily on the basis of their academic qualifications and experience;

(c) requires compliance with the professional standards of competence and ethics established by the organization; and

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

~~and until February 1, 2002 includes an association of geoscientists in Ontario and until February 1, 2003 includes an association of geoscientists in a Canadian jurisdiction other than Ontario that does not have a statutorily recognized self regulatory association;~~

"qualified person" means an individual who

(a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these;

(b) has experience relevant to the subject matter of the mineral project and the technical report; and

(c) is a member **or licensee** in good standing of a professional association;

"quantity" means either tonnage or volume, depending on which term is the standard in the mining industry for the type of mineral;

~~"technical report" means a report prepared, filed and certified in accordance with this Instrument and Form 43-101F1 Technical Report;~~

"SAMREC Code" means the South African Code for Reporting of Mineral Resources and Mineral Reserves prepared by the South African Mineral Committee (SAMREC) under the auspices of the South African Institute of Mining and Metallurgy (SAIMM) as amended or supplemented;

~~"USGS Circular 831" means the circular~~**"SEC Industry Guide 7" means the mining industry guide entitled "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations" contained in Securities Act Industry Guides** published by the United States ~~Bureau of Mines/United States Geological Survey entitled "Principles of a Resource/Reserve Classification for Minerals"~~**Securities and Exchange Commission**, as amended or supplemented; and

"written disclosure" includes any writing, picture, map or other printed representation whether produced, stored or disseminated on paper or electronically.

1.2 ~~1.3~~ **Mineral Resource** ~~—~~ **-** In this Instrument, the terms "mineral resource", "inferred mineral resource", "indicated mineral resource" and "measured mineral resource" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy and Petroleum.

1.3 ~~**1.4**~~ **Mineral Reserve -** In this Instrument, the terms "mineral reserve", "probable mineral reserve" and "proven mineral reserve" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy and Petroleum.

~~**1.5 Interpretation**~~

~~**(1)** In this Instrument, a person or company is considered to be an affiliated entity of another person or company if~~

~~(a) one is a subsidiary of the other,~~

~~(b) both are subsidiaries of the same person or company, or~~

~~(c) each is controlled by the same person or company.~~

~~(2) In this Instrument, a person or company is considered to be controlled by a second person or company if~~

~~(a) in the case of a company,~~

~~(i) voting securities of the company carrying 50 percent or more of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the second person or company; and~~

~~(ii) the votes carried by such securities entitle the second person or company to elect a majority of the directors of the company;~~

~~(b) in the case of a partnership, other than a limited partnership, the second person or company holds an interest of 50 percent or more in the partnership; or~~

~~(c) in the case of a limited partnership, the general partner is the second person or company.~~

~~(3) In this Instrument, a person or company is considered to be a subsidiary entity of a second person or company, if~~

~~(a) the person or company is controlled by~~

~~(i) the second person or company, or~~

~~(ii) the second person or company and one or more other persons or companies, each of which is controlled by the second person or company, or~~

~~(iii) one or more other persons or companies, each of which is controlled by the second person or company; or~~

~~(b) the person or company is a subsidiary entity of a person or company that is itself a subsidiary entity of the second person or company.~~

1.4 ~~**(4)**~~ Independence - In this Instrument, a qualified person involved in the preparation of a technical report is not ~~considered to be~~ independent of the issuer ~~in respect of the technical report, if~~ **if the qualified person has, or expects to have any agreement, arrangement, understanding, employment or other relationship with, or any interest in, any person or company, the mineral project, the property, or**

any adjacent property, that a reasonable person would consider an influence on the qualified person's judgement.

~~(a) the qualified person, or any affiliated entity of the qualified person, is, or by reason of an agreement, arrangement or understanding expects to become, an insider, associate, affiliated entity or employee of~~

~~(i) the issuer,~~

~~(ii) an insider of the issuer, or~~

~~(iii) an affiliated entity of the issuer;~~

~~(b) the qualified person, or any affiliated entity of the qualified person, is, or by reason of an agreement, arrangement or understanding expects to become, a partner of any person or company referred to in paragraph (a);~~

~~(c) the qualified person, or any affiliated entity of the qualified person, owns, or by reason of an agreement, arrangement or understanding expects to receive, any securities of the issuer or of an affiliated entity of the issuer or an ownership or royalty interest in the property that is the subject of the technical report;~~

~~(d) the qualified person, or any affiliated entity of the qualified person, has received the majority of his or her income in the three years preceding the date of the technical report from one or more of the issuer and insiders and affiliated entities of the issuer; or~~

~~(e) the qualified person, or any affiliated entity of the qualified person,~~

~~(i) is, or by reason of an agreement, arrangement or understanding expects to become, an insider, affiliate or partner of the person or company which has an ownership or royalty interest in a property which has a boundary within two kilometres of the closest boundary of the property being reported on; or~~

~~(ii) has, or by reason of an agreement, arrangement or understanding expects to obtain, an ownership or royalty interest in a property which has a boundary within two kilometres of the closest boundary of the property being reported on.~~

PART 2 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

2.1 Requirements Applicable to All Disclosure - An issuer shall ensure that all disclosure of ~~a~~ scientific or technical ~~nature~~**information made by or on behalf of an issuer**, including disclosure of a mineral resource or mineral reserve, concerning mineral projects on a property material to the issuer is based upon ~~a technical report or other~~ information prepared by or under the supervision of a qualified person.

2.2 All Disclosure of Mineral Resources or Mineral Reserves - An issuer shall ensure that any disclosure of a mineral resource or mineral reserve, including disclosure in a technical report filed by an issuer

(a) utilizes only the applicable mineral resource and mineral reserve categories set out in sections ~~1.3~~**1.2** and ~~1.4~~**1.3**;

(b) reports each category of mineral resources and mineral reserves separately, and if both mineral resources and mineral reserves are disclosed, states the extent, if any, to which mineral reserves are included in total mineral resources; ~~and~~

(c) does not add inferred mineral resources to the other categories of mineral resources~~.~~**; and**

(d) states the grade or quality and the quantity for each category of the mineral resources and mineral reserves if the quantity of contained metal or mineral is reported.

2.3 Prohibited Disclosure

(1) An issuer shall not make any disclosure of

(a) quantity or grade of a deposit ~~which~~ **that** has not been categorized as an inferred mineral resource, an indicated mineral resource, a measured mineral resource, a probable mineral reserve or a proven mineral reserve~~,~~; or

(b) results of an economic evaluation ~~which uses~~ **that includes** inferred mineral resources.

(2) Despite paragraph (1)(a), an issuer may disclose in writing the potential quantity and grade, expressed as ranges, of a possible mineral deposit that is to be the target of further exploration~~, provided that~~ **if** the disclosure includes

(a) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource on the property and that it is uncertain if further exploration will result in ~~discovery~~**the determination** of a mineral resource on the property~~,~~; and

(b) the basis on which the disclosed potential quantity and grade has been determined.

(3) Despite paragraph (1)(b), an issuer may disclose a preliminary assessment that includes ~~an economic evaluation which uses~~ inferred mineral resources, ~~provided~~**if**

(a) the preliminary assessment is a material change ~~in the affairs of the issuer~~ or a material fact **with respect to the issuer**;

(b) the disclosure includes

(i) a proximate statement that the preliminary assessment is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized, and

(ii) the basis for the preliminary assessment and any qualifications and assumptions made by the qualified person~~; and~~**.**

~~(c) in Ontario, if the issuer is a reporting issuer in Ontario, the issuer shall deliver to the regulator in Ontario the disclosure it proposes to make together with the preliminary assessment and the technical report required pursuant to section 4.2 at least five business days prior to making the disclosure and the regulator in Ontario shall not have advised the issuer that it objects to the disclosure.~~

(4) An issuer shall not use the terms preliminary feasibility study, pre-feasibility study or feasibility study when referring to a study unless the study satisfies the criteria set out in the definitions of the applicable terms in section ~~1.2.~~**1.1.**

2.4 Disclosure of Historical Estimates - Despite section 2.2 an issuer may disclose an estimate of mineral resources or mineral reserves made before ~~this Instrument came into force if~~**February 1, 2001 using the historical terminology if the disclosure**

~~(a) the estimate is an estimate of mineral resources or mineral reserves prepared by or on behalf of a person or company other than the issuer, or~~

~~(b) the estimate accompanies disclosure of an estimate of mineral resources and mineral reserves made in accordance with section 2.2~~

~~and provided that the disclosure:~~

(a) ~~(i)~~ identifies the source of the historical estimate;

(b) ~~(ii)~~ confirms that the historical estimate is relevant;

(c) ~~(iii)~~ comments on the reliability of the historical estimate;

(d) ~~(iv)~~ states whether the historical estimate uses categories other than the ones stipulated in sections ~~1.3~~**1.2** and ~~1.4~~**1.3** and, if so, includes an explanation of the differences; and

(e) ~~(v)~~ includes any more recent estimates or data available to the issuer.

PART 3 ADDITIONAL REQUIREMENTS FOR WRITTEN DISCLOSURE

3.1 Written Disclosure to Include Name of Qualified Person - An issuer shall ensure that all written disclosure of ~~a~~ scientific or technical ~~nature, other than a news release, concerning~~**information made by or on behalf of the issuer, about** a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure.

3.2 Written Disclosure to Include Data Verification - An**Except as provided in section 3.5, an** issuer shall ensure that all written disclosure of ~~a~~ scientific or technical ~~nature concerning~~**information made by or on behalf of the issuer about a** mineral ~~projects~~**project** on a property material to the issuer~~:~~

(a) states whether a qualified person has verified the data disclosed, including sampling, analytical and test data underlying the information or opinions contained in the written disclosure;

(b) describes **how** the ~~nature of,~~**data was verified** and any limitations on~~,~~ the verification ~~of~~**process performed on the** data disclosed; and

(c) explains any failure to verify the data disclosed.

3.3 Requirements Applicable to Written Disclosure of Exploration Information

~~(1)~~ An**Except as provided in section 3.5, an** issuer shall ensure that all written disclosure ~~containing~~**of** scientific or technical exploration information ~~concerning~~**made by or on behalf of the issuer about a mineral project on** a property material to the issuer includes~~:~~

(a) ~~to the extent not previously disclosed in writing and filed by the issuer,~~ the results, or a summary of the material results, of surveys and investigations regarding the property;

(b) a summary of the interpretation of the exploration information~~ to the extent that such interpretation has not been previously disclosed in writing and filed by the issuer~~; and

(c) a description of the quality assurance program and quality control measures applied during the execution of the work being reported on.

~~(2)~~ An**Except as provided in section 3.5, an** issuer shall ensure that all written disclosure containing sample or analytical or testing results on a property material to the issuer includes

(a) ~~to the extent not previously disclosed in writing and filed by the issuer,~~ a summary description of the geology, mineral occurrences and nature of mineralization found;

(b) ~~to the extent not previously disclosed in writing and filed by the issuer,~~ a summary description of rock types, geological controls and widths of mineralized zones, and the identification of any significantly higher grade intervals within a lower grade intersection;

(c) **(c)** the location, number, type, nature and spacing or density of the samples collected and the location and dimensions of the area sampled;

(d) ~~identification of~~ any drilling, sampling, recovery or other factors that could materially affect the accuracy or reliability of the data referred to in this subsection;

(e) a summary description of the type of analytical or testing procedures utilized, sample size, the name and location of each analytical or testing laboratory used, the certification of each laboratory, if known to the issuer, and any relationship of the laboratory to the issuer; and

(f) a listing of the lengths of individual samples or sample composites with analytical values, widths and, to the extent known to the issuer, the true widths of the mineralized zone.

3.4 Requirements Applicable to Written Disclosure of Mineral Resources and Mineral Reserves - An issuer shall ensure that all written disclosure of mineral resources or mineral reserves on a property material to the issuer includes~~:~~

(a) the effective date of each estimate of mineral resources and mineral reserves;

(b) details of quantity and grade or quality of each category of mineral resources and mineral reserves;

(c) details of the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves;

(d) a general discussion of the extent to which the estimate of mineral resources and mineral reserves may be materially affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues; and

(e) ~~a~~**in the circumstance where the results of an economic analysis of mineral resources are reported, a proximate** statement that mineral resources ~~which~~**that** are not mineral reserves do not have demonstrated economic viability.

3.5 Exception for Written Disclosure Already Filed - The requirements of sections **3.2,** 3.3 and 3.4 **(a), (c) and (d)** are satisfied by reference, in written disclosure, to a previously filed ~~disclosure~~ document that complies with those requirements.

PART 4 OBLIGATION TO FILE A TECHNICAL REPORT

4.1 Obligation to File a Technical Report Upon Becoming a Reporting Issuer

(1) Upon ~~first~~ becoming a reporting issuer in a Canadian jurisdiction an issuer shall file ~~with the regulator~~ in that Canadian jurisdiction a current technical report for each property material to the issuer.

(2) An issuer may satisfy the requirement of subsection (1) by filing a notice stating that the issuer's current technical report has previously been filed in another Canadian jurisdiction in which it is a reporting issuer, provided there is no material change in the information contained in that technical report. The notice must also provide the name and date of the technical report, the name of the qualified person who prepared it, the jurisdiction in which it was previously filed, and a statement by the issuer certifying that there have been no material changes in the information contained in the technical report since the date of filing in the other Canadian jurisdiction.

(3) ~~(2) An issuer may satisfy the requirement of subsection (1) by filing a technical report or a report prepared and filed in accordance with National Policy Statement No. 2-A before February 1, 2001 that it has~~ **An issuer may also satisfy the requirement of subsection (1) by filing a technical report that it** previously filed in another Canadian jurisdiction in which it is a reporting issuer, ~~amended or supplemented, if necessary,~~**revised** to reflect material changes in the information contained in the technical report since the date of filing in the other Canadian jurisdiction.

4.2 Obligation to File a Technical Report in Connection with Certain Written Disclosure ~~Concerning~~About Mineral Projects on Material Properties

(1) An issuer shall file a current technical report to support information in the following documents filed or made available to the public in a Canadian jurisdiction describing **a** mineral ~~projects~~**project** on a property material to the **issuer, or in the case of paragraph 3 below, the resulting** issuer:

1. A preliminary prospectus, other than a preliminary short form prospectus filed in accordance with National Instrument 44-101.

2. A preliminary short form prospectus filed in accordance with National Instrument 44-101 that includes material information ~~concerning mining projects~~**about a mineral project** on **a property** material ~~properties~~**to the issuer** not contained in

(a) ~~a disclosure document~~ **an annual information form, prospectus, or material change report** filed before February 1, 2001; or

(b) a previously filed technical report~~; or~~**.**

~~(c) a report prepared in accordance with National Policy Statement No. 2-A and filed with a regulator before February 1, 2001.~~

3. An information or proxy circular concerning a direct or indirect acquisition of a mineral property~~,~~ ~~including an acquisition of control of a person or company with an interest in the property, that upon completion of the acquisition would be material to the issuer if the consideration includes securities of the issuer or the person or company which continues to hold an interest in the property upon completion of the acquisition.~~ **where the issuer or resulting issuer issues securities as consideration.**

4. An offering memorandum~~.~~ **other than an offering memorandum delivered to an accredited investor as defined under provincial and territorial securities legislation.**

5. A rights offering circular~~.~~ **of a reporting issuer.**

6. An annual information form**, annual management's discussion and analysis,** or annual report that includes material information ~~concerning mining projects on material properties~~**about a mineral project on a property material to the issuer** not contained in

(a) ~~a disclosure document~~**an annual information form, prospectus, or material change report** filed before February 1, 2001; **or**

(b) a previously filed technical report~~; or~~**.**

~~(c) a report prepared in accordance with National Policy Statement No. 2-A and filed with a regulator before February 1, 2001.~~

7. A valuation required to be prepared and filed under **provincial and territorial** securities legislation.

8. A ~~directors' circular that discloses for the first time a preliminary assessment or mineral resources or mineral reserves on a property material to the issuer that constitutes a material change in respect of the affairs of the issuer, or discloses any change in a preliminary assessment or in mineral resources or mineral reserves, from the most recently filed technical report of the issuer, that constitutes a material change in respect of the affairs of the issuer.~~ **TSX Venture Exchange Short Form Offering Document required to be filed.**

9. A take-over bid circular that discloses a preliminary assessment or mineral resources or mineral reserves on a property material to the offeror if securities of the offeror are being offered in exchange on the take-over bid.

~~10. Any written disclosure, made other than in a document referred to in paragraphs 1 to 9 above, which is either~~ **A news release or directors' circular that contains either**

(a) ~~(i)~~ first time disclosure of a preliminary assessment or mineral resources or mineral reserves on a property material to the issuer that constitutes a material change in respect of the affairs of the issuer; or

(b) ~~(ii) disclosure of~~ any change in a preliminary assessment or in mineral resources ~~and~~**or** mineral reserves from the most recently filed technical report~~,~~ that constitutes a material change in respect of the affairs of the issuer.

(2) If there has been a material change to the information in the technical report filed under paragraph 1 or 2 of subsection (1) before the filing of the final version of a prospectus or short form prospectus, the issuer shall file an updated technical report or an addendum to the technical report with the final version of the prospectus or short form prospectus.

(3) Subject to subsections (4), (5), and (6), the technical report ~~required to be filed under subsection (1)~~ shall be filed not later than the time ~~of the filing of~~ the document listed in subsection (1) that it supports **is filed or made available to the public**.

(4) Despite subsection (3), a technical report ~~concerning mineral reserves and~~about mineral resources **or mineral reserves** that supports ~~disclosure described in paragraph 10 of subsection (1)~~**a news release** shall

(a) be filed not later than 30 days after the ~~disclosure~~**news release**; and

(b) if ~~filed subsequent to the disclosure, be accompanied by a contemporaneous disclosure that reconciles~~**there are** any material differences **in the mineral resources or mineral reserves** between the technical report filed and the ~~previous disclosure in connection with which the technical report was prepared.~~**news release, be accompanied by a news release that reconciles those differences.**

(5) Despite subsection (3), if a property referred to in ~~a document described in paragraph 6 of subsection (1)~~**an annual information form or annual management's discussion and analysis** first becomes material to the issuer less than 30 days before the filing deadline for the ~~document~~**annual information form or annual management's discussion and analysis**, the issuer shall file the technical report ~~required by subsection (1)~~ within 30 days of the date that the property first became material to the issuer.

(6) Despite subsection (3), a technical report that supports a directors' circular shall be filed not less than 3 business days prior to the expiry of the take-over bid.

(7) If the issuer triggers the requirement to file a technical report under subsection (1), it does not have to re-file a technical report that it has already filed if

(a) there is no material change to the information contained in the technical report; and

(b) the issuer files a qualified person's updated certificate and consent for use of the technical report in connection with the document.

4.3 Required Form of Technical Report - A technical report that is required to be filed under this Part shall be **current** in accordance with Form 43-101F1.

PART 5 AUTHOR OF TECHNICAL REPORT

5.1 Prepared by a Qualified Person - A technical report shall be prepared by or under the supervision of one or more qualified persons.

5.2 Execution of Technical Report - A technical report shall be dated, signed and, if the qualified person has a seal, sealed~~, by the qualified person who prepared it or supervised its preparation, or if such an individual is an employee, officer, director or associate of a person or company the principal business of which is the provision of engineering or geoscientific services, by that person or company.~~ **by**

(a) each qualified person who is primarily responsible for preparing it or supervising its preparation; or

(b) by a person or company whose principal business is providing engineering or geoscientific services if each qualified person primarily responsible for preparing it or supervising its preparation is an employee, officer, or director of that person or company.

5.3 Independent Technical Report

(1) Subject to subsection (2), **any disclosure made and** a technical report required under any of the following provisions of this Instrument shall be prepared by a qualified person that is, at the date of the ~~technical report~~**disclosure**, independent of the issuer:

1. First ~~time~~ **Time** Reporting Issuer ~~–~~ **–** Subsection 4.1(1) **only for the first time the issuer becomes a reporting issuer in any one Canadian jurisdiction;**

2. Long Form Prospectus ~~and,~~ Valuation **or TSX Venture Exchange Short Form Offering Document** - Paragraphs 4.2(1)~~l and,~~ 7 **and 8; or**

3. Other - Paragraphs 4.2(1) 2, 3, 4, 5, 6, ~~8,~~ 9 and 10 if the document discloses **for the first time** a preliminary assessment~~,~~ or mineral resources or mineral reserves on a property material to the issuer ~~for the first time~~, or discloses a 100 percent or greater change, from the most recently filed technical report prepared by a qualified person who is independent of the issuer, in mineral resources or mineral reserves on a property material to the issuer**.**

~~4. Reporting Issuer in an Additional Canadian Jurisdiction - Subsection 4.1(2)~~

(2) A technical report required to be filed by a producing issuer under ~~paragraphs~~**paragraph** 3 ~~and 4~~ of subsection (1) is not required to be prepared by an independent qualified person.

(3) A technical report required to be filed by an issuer that is or has contracted to become a joint venture participant, concerning a property which is or will be the subject of the joint venture's activities, is not required to be prepared by an independent qualified person if the qualified person preparing the report **relies on scientific and technical information provided by a qualified person that** is an employee of~~, or retained by, another~~ **a producing issuer that is a** participant in the joint venture ~~that is a producing issuer~~.

PART 6 PREPARATION OF TECHNICAL REPORT

~~**6.1 Nature of the**~~**The Technical Report -** A technical report shall be prepared on the basis of all available ~~factual~~ data ~~that is~~ relevant to the disclosure ~~which~~**that** it supports.

6.2 Current Personal Inspection ~~- At~~– Unless exempted under section 9.2, at least one qualified person **who is primarily responsible for** preparing or supervising the preparation of the technical report shall ~~inspect~~**have made a current inspection on** the property that is the subject of the technical report.

6.3 Maintenance of Records - The issuer shall keep **for 7 years** copies of assay and other analytical certificates, drill logs and other information referenced in the technical report or used as a basis for the technical report ~~for 7 years~~.

PART 7 USE OF FOREIGN CODE

7.1 Use of Foreign Code

(1) ~~An~~Despite section 2.2, an **issuer that is incorporated or organized in a foreign jurisdiction may make disclosure and file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, ~~USGS Circular 831 or the IMM system provided that~~**the SEC Industry Guide 7, the IMMM system, or the SAMREC Code if **a reconciliation to the mineral resource and mineral reserve categories set out in sections ~~1.3 and 1.4 is filed with~~**1.2 and 1.3 is disclosed in **the technical report ~~and certified by a qualified person. The reconciliation shall address the confidence levels required for the categorization of mineral resources and mineral reserves.~~**.

(2) ~~An~~**Despite section 2.2, an** issuer that is incorporated or organized under the laws of Canada or a province or territory of Canada may make disclosure and file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, ~~USGS Circular 831 or the IMM system~~**the SEC Industry Guide 7, the IMMM system, or the SAMREC Code** for properties located in a foreign jurisdiction, ~~provided that~~**if** a reconciliation to the mineral resource and mineral reserve categories set out in sections ~~1.3 and 1.4, which reconciliation addresses the confidence levels required for the categorization of mineral resources and mineral reserves, is certified by a qualified person and is filed with~~**1.2 and 1.3 is disclosed in** the technical report.

PART 8 CERTIFICATES AND CONSENTS OF QUALIFIED PERSONS FOR TECHNICAL REPORTS

8.1 Certificates of Qualified Persons

(1) An issuer shall, when filing a technical report, also file a certificate of each ~~of the individuals who are~~ qualified ~~persons and~~**person** who ~~have~~**has** been ~~primarily~~ responsible for ~~the technical report,~~**all** or a portion of the technical report~~,~~ dated, signed and, if the signatory has a seal, sealed~~,~~ by the signatory.

(2) The certificate ~~of each qualified person~~ shall state

(a) the name, address and occupation of the qualified person;

(b) the title and date of the technical report to which the certificate applies;

(c) ~~(b)~~ the qualified person's qualifications, including **a brief summary of** relevant experience, the name of all professional associations to which the qualified person belongs, and that the qualified person is a "qualified person" for purposes of this Instrument;

(d) ~~(c)~~ the date and duration of the qualified person's most recent ~~visits to~~ **personal inspection of** each applicable site~~;~~ **or, if applicable, the reason why the issuer was exempted from the personal inspection requirement;**

(e) ~~(d)~~ the section or sections of the technical report for which the qualified person is responsible;

~~(e) that the qualified person is not aware of any material fact or material change with respect to the subject matter of the technical report which is not reflected in the technical report, the omission to disclose which makes the technical report misleading;~~

(f) ~~if~~**whether** the qualified person is independent of the issuer ~~applying the tests set out~~**as described** in section ~~1.5;~~**1.4, and if not, the reasons why;**

(g) what prior involvement, if any, the qualified person has had with the property that is the subject of the technical report; and

(h) that the qualified person has read this Instrument and ~~Form 43-101F1, and~~ the technical report has been prepared in compliance with this Instrument ~~and Form 43-101F1.~~**; and**

(i) that, as of the date of the certificate, the technical report contains all of the information required under Form 43-101F1 in respect of the property that is the subject of the technical report.

8.2 Addressed to Issuer - All technical reports shall be addressed to the issuer.

~~**8.3 Consents of Qualified Persons** - All technical reports and addenda to technical reports that are required by this Instrument to be filed shall~~**Consents of Qualified Persons - An issuer shall, when filing a technical report, also file a statement of each qualified person who has been responsible for all or a portion of the technical report, addressed to the relevant securities regulatory authorities, dated, and signed by the qualified person**

(a) ~~be accompanied by the written consent of the qualified person, addressed to the securities regulatory authorities,~~ consenting to the filing of the technical report ~~and to the written disclosure of~~**, which makes** the technical report **publicly available,** and ~~of~~**to** extracts from or a summary of the technical report in the written disclosure being filed; and

(b) ~~be accompanied by a certificate~~ confirming that the qualified person has read the written disclosure being filed and ~~does not have any reason to believe that there are any misrepresentations in the information derived from the technical report or that the written disclosure contains any misrepresentation of the information contained~~**that it fairly and accurately represents the information** in the technical report.

PART 9 ~~EXEMPTION~~ EXEMPTIONS

9.1 ~~Exemption~~ Authority to Grant Exemptions

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

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Despite subsection (1), in Alberta, only the regulator may grant such an exemption.

9.2 Exemption from Personal Inspection

(1) Section 6.2 does not apply to an issuer provided that

(a) the property that is the subject of the technical report is a grassroots exploration property;

(b) extreme seasonal weather conditions prevent a qualified person from accessing any part of the property or obtaining beneficial information from it; and

(c) the issuer discloses in the technical report, and in the disclosure that the technical report supports, the reasons why a personal inspection by a qualified person was not conducted.

(2) Despite subsection (1), the issuer must file a current updated technical report and a qualified person's certificate and consent required under Part 8 as soon as practical after the qualified person can make a personal inspection of the property.

9.3 Exemption for Certain Foreign Issuers

(1) This Instrument does not apply to an issuer

(a) that is incorporated or organized under the laws of a foreign jurisdiction;

(b) whose securities trade primarily or has applied for its securities to trade primarily on the New York Stock Exchange, Nasdaq National Market, London Stock Exchange, Australian Stock Exchange, or Johannesburg Stock Exchange and is in compliance with reporting requirements of each applicable exchange;

(c) that is subject to securities laws of the United States of America, United Kingdom, Australia, or South Africa and is in compliance with the continuous disclosure requirements of each applicable jurisdiction;

(d) that has less than 10 percent of its total number of equity securities, including underlying securities that are equity securities, owned directly or indirectly by residents of Canada, as calculated, on a fully diluted basis, reasonably proximate to the time the issuer discloses scientific and technical information about a mineral project on property material to the issuer; and

(e) that includes in any disclosure made in a Canadian jurisdiction under this exemption a statement that its disclosure does not comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and that no Form 43-101F1 technical report will be filed to support the disclosure based upon an exemption provided to certain foreign issuers under that Instrument.

9.4 Exemption for Certain Type of Filing - This Instrument does not apply if the only reason an issuer files written disclosure of scientific or technical information is to comply with the requirement under provincial or territorial securities legislation to file a copy of a record or disclosure material that was filed with a securities commission, exchange or regulatory authority in another jurisdiction.

PART 10 EFFECTIVE DATE

10. Effective Date - This Instrument shall come into force on ~~February 1, 2001.~~**XXXXX, 200X.**

PROPOSED NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

TABLE OF CONTENTS

PROPOSED NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this Instrument

"adjacent property" means a property

(a) in which the issuer does not have an interest;

(b) that has a boundary reasonably proximate to the closest boundary of the property being reported on; and

(c) that has geological characteristics similar to those of the property being reported on;

"data verification" means the process of confirming that data has been generated with proper procedures, has been accurately transcribed from the original source and is suitable to be used;

"development property" means a property that is being prepared for mineral production and for which economic viability has been demonstrated by a feasibility study;

"disclosure" means any oral statement or written disclosure made by or on behalf of an issuer and intended to be, or reasonably likely to be, made available to the public in a Canadian jurisdiction, whether or not filed under securities legislation, but does not include written disclosure that is made available to the public only by reason of having been filed with a government or agency of government pursuant to a requirement of law other than securities legislation;

"exploration information" means geological, geophysical, geochemical, sampling, drilling, trenching, analytical testing, assaying, mineralogical, metallurgical and other similar information concerning a particular property that is derived from activities undertaken to locate, investigate, define or delineate a mineral prospect or mineral deposit;

"feasibility study" means a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production;

"grassroots exploration property" means a property that has had no drilling or trenching activity and no drilling or trenching is proposed for the property in a technical report filed with a securities regulatory authority or Canadian recognized exchange, as defined under provincial and territorial securities legislation;

"IMMM system" means the classification system and definitions for mineral resources and mineral reserves approved from time to time by The Institution of Materials, Minerals, and Mining in the United Kingdom as amended or supplemented;

"JORC Code" means the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia as amended or supplemented;

"mineral project" means any exploration, development or production activity, including a royalty, net profits interest, or similar interest in these activities, in respect of natural solid inorganic or natural solid fossilized organic, material including base and precious metals, coal, and industrial minerals;

"preliminary assessment" means an assessment that includes an economic evaluation of the potential viability of a mineral project taken at an early stage of the project prior to a preliminary feasibility study;

"preliminary feasibility study" and "pre-feasibility study" each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established where an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve;

"producing issuer" means an issuer whose annual audited financial statements disclose

(a) gross revenues, derived from mining operations, of at least $30 million for the issuer's most recently completed financial year; and

(b) gross revenues, derived from mining operations, of at least $90 million in the aggregate for the issuer's three most recently completed financial years;

"professional association" means a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that

(a) is either

(i) given authority or recognition by statute in a Canadian jurisdiction, or

(ii) accepted by the securities regulatory authority or regulator in a notice published for this purpose;

(b) admits members primarily on the basis of their academic qualifications and experience;

(c) requires compliance with the professional standards of competence and ethics established by the organization; and

(d) has disciplinary powers, including the power to suspend or expel a member.

"qualified person" means an individual who

(a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these;

(b) has experience relevant to the subject matter of the mineral project and the technical report; and

(c) is a member or licensee in good standing of a professional association;

"quantity" means either tonnage or volume, depending on which term is the standard in the mining industry for the type of mineral;

"SAMREC Code" means the South African Code for Reporting of Mineral Resources and Mineral Reserves prepared by the South African Mineral Committee (SAMREC) under the auspices of the South African Institute of Mining and Metallurgy (SAIMM) as amended or supplemented;

"SEC Industry Guide 7" means the mining industry guide entitled "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations" contained in Securities Act Industry Guides published by the United States Securities and Exchange Commission, as amended or supplemented; and

"written disclosure" includes any writing, picture, map or other printed representation whether produced, stored or disseminated on paper or electronically.

1.2 **Mineral Resource -** In this Instrument, the terms "mineral resource", "inferred mineral resource", "indicated mineral resource" and "measured mineral resource" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy and Petroleum.

1.3 **Mineral Reserve -** In this Instrument, the terms "mineral reserve", "probable mineral reserve" and "proven mineral reserve" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy and Petroleum.

1.4 **Independence** - In this Instrument, a qualified person involved in the preparation of a technical report is not independent of the issuer if the qualified person has, or expects to have any agreement, arrangement, understanding, employment or other relationship with, or any interest in, any person or company, the mineral

project, the property, or any adjacent property, that a reasonable person would consider an influence on the qualified person's judgement.

PART 2 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

2.1 Requirements Applicable to All Disclosure - An issuer shall ensure that all disclosure of scientific or technical information made by or on behalf of an issuer, including disclosure of a mineral resource or mineral reserve, concerning mineral projects on a property material to the issuer is based upon information prepared by or under the supervision of a qualified person.

2.2 All Disclosure of Mineral Resources or Mineral Reserves - An issuer shall ensure that any disclosure of a mineral resource or mineral reserve, including disclosure in a technical report filed by an issuer

(a) utilizes only the applicable mineral resource and mineral reserve categories set out in sections 1.2 and 1.3;

(b) reports each category of mineral resources and mineral reserves separately, and if both mineral resources and mineral reserves are disclosed, states the extent, if any, to which mineral reserves are included in total mineral resources;

(c) does not add inferred mineral resources to the other categories of mineral resources; and

(d) states the grade or quality and the quantity for each category of the mineral resources and mineral reserves if the quantity of contained metal or mineral is reported.

2.3 Prohibited Disclosure

(1) An issuer shall not make any disclosure of

(a) quantity or grade of a deposit that has not been categorized as an inferred mineral resource, an indicated mineral resource, a measured mineral resource, a probable mineral reserve or a proven mineral reserve; or

(b) results of an economic evaluation that includes inferred mineral resources.

(2) Despite paragraph (1)(a), an issuer may disclose in writing the potential quantity and grade, expressed as ranges, of a possible mineral deposit that is to be the target of further exploration if the disclosure includes

(a) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource on the property and that it is uncertain if further exploration will result in the determination of a mineral resource on the property; and

(b) the basis on which the disclosed potential quantity and grade has been determined.

(3) Despite paragraph (1)(b), an issuer may disclose a preliminary assessment that includes inferred mineral resources, if

(a) the preliminary assessment is a material change or a material fact with respect to the issuer;

(b) the disclosure includes

(i) a proximate statement that the preliminary assessment is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized, and

(ii) the basis for the preliminary assessment and any qualifications and assumptions made by the qualified person.

(4) An issuer shall not use the terms preliminary feasibility study, pre-feasibility study or feasibility study when referring to a study unless the study satisfies the criteria set out in the definitions of the applicable terms in section 1.1.

2.4 **Disclosure of Historical Estimates -** Despite section 2.2 an issuer may disclose an estimate of mineral resources or mineral reserves made before February 1, 2001 using the historical terminology if the disclosure

(a) identifies the source of the historical estimate;

(b) confirms that the historical estimate is relevant;

(c) comments on the reliability of the historical estimate;

(d) states whether the historical estimate uses categories other than the ones stipulated in sections 1.2 and 1.3 and, if so, includes an explanation of the differences; and

(e) includes any more recent estimates or data available to the issuer.

PART 3 ADDITIONAL REQUIREMENTS FOR WRITTEN DISCLOSURE

3.1 **Written Disclosure to Include Name of Qualified Person -** An issuer shall ensure that all written disclosure of scientific or technical information made by or on behalf of the issuer, about a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure.

3.2 **Written Disclosure to Include Data Verification -** Except as provided in section 3.5, an issuer shall ensure that all written disclosure of scientific or technical information made by or on behalf of the issuer about a mineral project on a property material to the issuer

(a) states whether a qualified person has verified the data disclosed, including sampling, analytical and test data underlying the information or opinions contained in the written disclosure;

(b) describes how the data was verified and any limitations on the verification process performed on the data disclosed; and

(c) explains any failure to verify the data disclosed.

3.3 Requirements Applicable to Written Disclosure of Exploration Information

(1) Except as provided in section 3.5, an issuer shall ensure that all written disclosure of scientific or technical exploration information made by or on behalf of the issuer about a mineral project on a property material to the issuer includes

(a) the results, or a summary of the material results, of surveys and investigations regarding the property;

(b) a summary of the interpretation of the exploration information; and

(c) a description of the quality assurance program and quality control measures applied during the execution of the work being reported on.

(2) Except as provided in section 3.5, an issuer shall ensure that all written disclosure containing sample or analytical or testing results on a property material to the issuer includes

(a) a summary description of the geology, mineral occurrences and nature of mineralization found;

(b) a summary description of rock types, geological controls and widths of mineralized zones, and the identification of any significantly higher grade intervals within a lower grade intersection;

(c) (c) the location, number, type, nature and spacing or density of the samples collected and the location and dimensions of the area sampled;

(d) any drilling, sampling, recovery or other factors that could materially affect the accuracy or reliability of the data referred to in this subsection;

(e) a summary description of the type of analytical or testing procedures utilized, sample size, the name and location of each analytical or testing laboratory used, the certification of each laboratory, if known to the issuer, and any relationship of the laboratory to the issuer; and

(f) a listing of the lengths of individual samples or sample composites with analytical values, widths and, to the extent known to the issuer, the true widths of the mineralized zone.

3.4 Requirements Applicable to Written Disclosure of Mineral Resources and Mineral Reserves - An issuer shall ensure that all written disclosure of mineral resources or mineral reserves on a property material to the issuer includes

(a) the effective date of each estimate of mineral resources and mineral reserves;

(b) details of quantity and grade or quality of each category of mineral resources and mineral reserves;

(c) details of the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves;

(d) a general discussion of the extent to which the estimate of mineral resources and mineral reserves may be materially affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues; and

(e) in the circumstance where the results of an economic analysis of mineral resources are reported, a proximate statement that mineral resources that are not mineral reserves do not have demonstrated economic viability.

3.5 Exception for Written Disclosure Already Filed - The requirements of sections 3.2, 3.3 and 3.4 (a), (c) and (d) are satisfied by reference, in written disclosure, to a previously filed document that complies with those requirements.

PART 4 OBLIGATION TO FILE A TECHNICAL REPORT

4.1 Obligation to File a Technical Report Upon Becoming a Reporting Issuer

(1) Upon becoming a reporting issuer in a Canadian jurisdiction an issuer shall file in that Canadian jurisdiction a current technical report for each property material to the issuer.

(2) An issuer may satisfy the requirement of subsection (1) by filing a notice stating that the issuer's current technical report has previously been filed in another Canadian jurisdiction in which it is a reporting issuer, provided there is no material change in the information contained in that technical report. The notice must also provide the name and date of the technical report, the name of the qualified person who prepared it, the jurisdiction in which it was previously filed, and a statement by the issuer certifying that there have been no material changes in the information contained in the technical report since the date of filing in the other Canadian jurisdiction.

(3) An issuer may also satisfy the requirement of subsection (1) by filing a technical report that it previously filed in another Canadian jurisdiction in which it is a reporting issuer, revised to reflect material changes in the information contained in the technical report since the date of filing in the other Canadian jurisdiction.

4.2 Obligation to File a Technical Report in Connection with Certain Written Disclosure About Mineral Projects on Material Properties

(1) An issuer shall file a current technical report to support information in the following documents filed or made available to the public in a Canadian jurisdiction describing a mineral project on a property material to the issuer, or in the case of paragraph 3 below, the resulting issuer:

1. A preliminary prospectus, other than a preliminary short form prospectus filed in accordance with National Instrument 44-101.

2. A preliminary short form prospectus filed in accordance with National Instrument 44-101 that includes material information about a mineral project on a property material to the issuer not contained in

(a) an annual information form, prospectus, or material change report filed before February 1, 2001; or

(b) a previously filed technical report.

3. An information or proxy circular concerning a direct or indirect acquisition of a mineral property where the issuer or resulting issuer issues securities as consideration.

4. An offering memorandum other than an offering memorandum delivered to an accredited investor as defined under provincial and territorial securities legislation.

5. A rights offering circular of a reporting issuer.

6. An annual information form, annual management's discussion and analysis, or annual report that includes material information about a mineral project on a property material to the issuer not contained in

(a) an annual information form, prospectus, or material change report filed before February 1, 2001; or

(b) a previously filed technical report.

7. A valuation required to be prepared and filed under provincial and territorial securities legislation.

8. A TSX Venture Exchange Short Form Offering Document required to be filed.

9. A take-over bid circular that discloses a preliminary assessment or mineral resources or mineral reserves on a property material to the offeror if securities of the offeror are being offered in exchange on the take-over bid.

10. A news release or directors' circular that contains either

(a) first time disclosure of a preliminary assessment or mineral resources or mineral reserves on a property material to the issuer that constitutes a material change in respect of the affairs of the issuer; or

(b) any change in a preliminary assessment or in mineral resources or mineral reserves from the most recently filed technical report that constitutes a material change in respect of the affairs of the issuer.

(2) If there has been a material change to the information in the technical report filed under paragraph 1 or 2 of subsection (1) before the filing of the final version of a prospectus or short form prospectus, the issuer shall file an updated technical report or an addendum to the technical report with the final version of the prospectus or short form prospectus.

(3) Subject to subsections (4), (5), and (6), the technical report shall be filed not later than the time the document listed in subsection (1) that it supports is filed or made available to the public.

(4) Despite subsection (3), a technical report about mineral resources or mineral reserves that supports a news release shall

(a) be filed not later than 30 days after the news release; and

(b) if there are any material differences in the mineral resources or mineral reserves between the technical report filed and the news release, be accompanied by a news release that reconciles those differences.

(5) Despite subsection (3), if a property referred to in an annual information form or annual management's discussion and analysis first becomes material to the issuer less than 30 days before the filing deadline for the annual information form or annual management's discussion and analysis, the issuer shall file the technical report within 30 days of the date that the property first became material to the issuer.

(6) Despite subsection (3), a technical report that supports a directors' circular shall be filed not less than 3 business days prior to the expiry of the take-over bid.

(7) If the issuer triggers the requirement to file a technical report under subsection (1), it does not have to re-file a technical report that it has already filed if

(a) there is no material change to the information contained in the technical report; and

(b) the issuer files a qualified person's updated certificate and consent for use of the technical report in connection with the document.

4.3 Required Form of Technical Report - A technical report that is required to be filed under this Part shall be current in accordance with Form 43-101F1.

PART 5 AUTHOR OF TECHNICAL REPORT

5.1 Prepared by a Qualified Person - A technical report shall be prepared by or under the supervision of one or more qualified persons.

5.2 Execution of Technical Report - A technical report shall be dated, signed and, if the qualified person has a seal, sealed by

(a) each qualified person who is primarily responsible for preparing it or supervising its preparation; or

(b) by a person or company whose principal business is providing engineering or geoscientific services if each qualified person primarily responsible for preparing it or supervising its preparation is an employee, officer, or director of that person or company.

5.3 Independent Technical Report

(1) Subject to subsection (2), any disclosure made and a technical report required under any of the following provisions of this Instrument shall be prepared by a qualified person that is, at the date of the disclosure, independent of the issuer:

1. First Time Reporting Issuer – Subsection 4.1(1) only for the first time the issuer becomes a reporting issuer in any one Canadian jurisdiction;

2. Long Form Prospectus, Valuation or TSX Venture Exchange Short Form Offering Document - Paragraphs 4.2(1)l, 7 and 8; or

3. Other - Paragraphs 4.2(1) 2, 3, 4, 5, 6, 9 and 10 if the document discloses for the first time a preliminary assessment or mineral resources or mineral reserves on a property material to the issuer, or discloses a 100 percent or greater change, from the most recently filed technical report prepared by a qualified person who is independent of the issuer, in mineral resources or mineral reserves on a property material to the issuer.

(2) A technical report required to be filed by a producing issuer under paragraph 3 of subsection (1) is not required to be prepared by an independent qualified person.

(3) A technical report required to be filed by an issuer that is or has contracted to become a joint venture participant, concerning a property which is or will be the subject of the joint venture's activities, is not required to be prepared by an independent qualified person if the qualified person preparing the report relies on scientific and technical information provided by a qualified person that is an employee of a producing issuer that is a participant in the joint venture.

PART 6 PREPARATION OF TECHNICAL REPORT

6.1 The Technical Report - A technical report shall be prepared on the basis of all available data relevant to the disclosure that it supports.

6.2 **Current Personal Inspection –** Unless exempted under section 9.2, at least one qualified person who is primarily responsible for preparing or supervising the preparation of the technical report shall have made a current inspection on the property that is the subject of the technical report.

6.3 **Maintenance of Records -** The issuer shall keep for 7 years copies of assay and other analytical certificates, drill logs and other information referenced in the technical report or used as a basis for the technical report.

PART 7 USE OF FOREIGN CODE

7.1 Use of Foreign Code

(1) Despite section 2.2, an issuer that is incorporated or organized in a foreign jurisdiction may make disclosure and file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, the SEC Industry Guide 7, the IMMM system, or the SAMREC Code if a reconciliation to the mineral resource and mineral reserve categories set out in sections 1.2 and 1.3 is disclosed in the technical report.

(2) Despite section 2.2, an issuer that is incorporated or organized under the laws of Canada or a province or territory of Canada may make disclosure and file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, the SEC Industry Guide 7, the IMMM system, or the SAMREC Code for properties located in a foreign jurisdiction, if a reconciliation to the mineral resource and mineral reserve categories set out in sections 1.2 and 1.3 is disclosed in the technical report.

PART 8 CERTIFICATES AND CONSENTS OF QUALIFIED PERSONS FOR TECHNICAL REPORTS

8.1 Certificates of Qualified Persons

(1) An issuer shall, when filing a technical report, also file a certificate of each qualified person who has been responsible for all or a portion of the technical report dated, signed and, if the signatory has a seal, sealed by the signatory.

(2) The certificate shall state

(a) the name, address and occupation of the qualified person;

(b) the title and date of the technical report to which the certificate applies;

(c) the qualified person's qualifications, including a brief summary of relevant experience, the name of all professional associations to which the qualified person belongs, and that the qualified person is a "qualified person" for purposes of this Instrument;

(d) the date and duration of the qualified person's most recent personal inspection of each applicable site or, if applicable, the reason why the issuer was exempted from the personal inspection requirement;

(e) the section or sections of the technical report for which the qualified person is responsible;

(f) whether the qualified person is independent of the issuer as described in section 1.4, and if not, the reasons why;

(g) what prior involvement, if any, the qualified person has had with the property that is the subject of the technical report; and

(h) that the qualified person has read this Instrument and the technical report has been prepared in compliance with this Instrument; and

(i) that, as of the date of the certificate, the technical report contains all of the information required under Form 43-101F1 in respect of the property that is the subject of the technical report.

8.2 **Addressed to Issuer -** All technical reports shall be addressed to the issuer.

8.3 Consents of Qualified Persons - An issuer shall, when filing a technical report, also file a statement of each qualified person who has been responsible for all or a portion of the technical report, addressed to the relevant securities regulatory authorities, dated, and signed by the qualified person

(a) consenting to the filing of the technical report, which makes the technical report publicly available, and to extracts from or a summary of the technical report in the written disclosure being filed; and

(b) confirming that the qualified person has read the written disclosure being filed and that it fairly and accurately represents the information in the technical report.

PART 9 EXEMPTIONS

9.1 Authority to Grant Exemptions

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

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Despite subsection (1), in Alberta, only the regulator may grant such an exemption.

9.2 Exemption from Personal Inspection

(1) Section 6.2 does not apply to an issuer provided that

(a) the property that is the subject of the technical report is a grassroots exploration property;

(b) extreme seasonal weather conditions prevent a qualified person from accessing any part of the property or obtaining beneficial information from it; and

(c) the issuer discloses in the technical report, and in the disclosure that the technical report supports, the reasons why a personal inspection by a qualified person was not conducted.

(2) Despite subsection (1), the issuer must file a current updated technical report and a qualified person's certificate and consent required under Part 8 as soon as practical after the qualified person can make a personal inspection of the property.

9.3 Exemption for Certain Foreign Issuers

(1) This Instrument does not apply to an issuer

(a) that is incorporated or organized under the laws of a foreign jurisdiction;

(b) whose securities trade primarily or has applied for its securities to trade primarily on the New York Stock Exchange, Nasdaq National Market, London Stock Exchange, Australian Stock Exchange, or Johannesburg Stock Exchange and is in compliance with reporting requirements of each applicable exchange;

(c) that is subject to securities laws of the United States of America, United Kingdom, Australia, or South Africa and is in compliance with the continuous disclosure requirements of each applicable jurisdiction;

(d) that has less than 10 percent of its total number of equity securities, including underlying securities that are equity securities, owned directly or indirectly by residents of Canada, as calculated, on a fully diluted basis, reasonably proximate to the time the issuer discloses scientific and technical information about a mineral project on property material to the issuer; and

(e) that includes in any disclosure made in a Canadian jurisdiction under this exemption a statement that its disclosure does not comply with National Instrument 43-101 *Standards of Disclosure for*

Mineral Projects and that no Form 43-101F1 technical report will be filed to support the disclosure based upon an exemption provided to certain foreign issuers under that Instrument.

9.4 **Exemption for Certain Type of Filing -** This Instrument does not apply if the only reason an issuer files written disclosure of scientific or technical information is to comply with the requirement under provincial or territorial securities legislation to file a copy of a record or disclosure material that was filed with a securities commission, exchange or regulatory authority in another jurisdiction.

PART 10 EFFECTIVE DATE

10.1 **Effective Date -** This Instrument shall come into force on XXXXX, 200X.

PROPOSED FORM 43-101F1
TECHNICAL REPORT

TABLE OF CONTENTS

TITLE

CONTENTS OF THE TECHNICAL REPORT

PROPOSED FORM 43-101F1
TECHNICAL REPORT

INSTRUCTIONS

(1) The objective of the technical report is to provide scientific and technical information concerning mineral exploration, development and production activities on a mineral property that is material to an issuer. This Form sets out specific requirements for the preparation and contents of a technical report. ~~Item 25 of this Form includes additional requirements for technical reports on development and production properties.~~

*(2) Terms used ~~and not defined~~ in this Form that are defined or interpreted in National Instrument 43-101 Standards of Disclosure for Mineral Projects (the "Instrument") shall bear that definition or interpretation. In ~~particular, the terms "mineral resource" and "mineral reserve" and the categories of each are defined in the Instrument. In~~ addition, a general definition instrument has been adopted as National Instrument 14-101 Definitions ~~which~~**that** contains definitions of certain terms used in more than one national instrument. Readers of this Form ~~shall~~**should** review both these national instruments for defined terms.*

*(3) The ~~author~~**qualified person** preparing the technical report shall use the headings of the Items in this Form **and may create sub-headings**. If unique or infrequently used technical terms are required, clear and concise explanations shall be included.*

(4) No disclosure need be given in respect of inapplicable items and, unless otherwise required by this Form, negative answers to items may be omitted. Disclosure included under one heading is not required to be repeated under another heading.

*(5) The technical report is not required to include the information required in Items 6 through 11 of this Form to the extent that the required information has been previously filed in a report for the property being reported on, the previous report is referred to in the technical report and there has not been any **material** change in the information.*

(6) The technical report for development properties and production properties may summarize the information required in the Items of this Form, except for Item 25, provided that the summary includes the material information necessary to understand the project at its current stage of development or production.

(7) Except for a disclaimer that meets the limited purpose in Item 5 of this Form, a technical report must not contain any other disclaimers. For example, the types of disclaimers prohibited would include any disclaimer of responsibility for or reliability on all, or a portion of, the report that the qualified person prepared or any limitations on the use or publication of the report that would interfere with an issuer's obligation to reproduce the report by filing it on SEDAR.

CONTENTS OF THE TECHNICAL REPORT

Item 1: **Title Page -** Include a title page setting out the title of the technical report, the general location of the mineral project, the name~~(s)~~ and ~~the~~ professional designation~~(s)~~ of ~~the authors~~each qualified person and the effective date of the technical report.

Item 2: **Table of Contents -** Provide a table of contents listing the contents of the technical report, including figures and tables.

Item 3: **Summary -** Provide a summary ~~which~~that briefly describes the property, its location, ownership, geology and mineralization, the exploration concept, the status of exploration, development and operations and the author's conclusions and recommendations.

Item 4: **Introduction~~ and Terms of Reference~~ -** Include a description of

(a) ~~the terms of reference;~~ **who the report is prepared for;**

(b) the purpose for which the technical report was prepared;

(c) the sources of information and data contained in the technical report or used in its preparation, with citations if applicable; and

the extent of field involvement of ~~the qualified person.~~**each author.**

Item 5: ~~Disclaimer~~**Reliance on Other Experts -** If the author of all or a portion of the technical report has relied on a report, opinion or statement of legal or other experts who are not qualified persons for information concerning legal, environmental, political or other issues and factors relevant to the technical report, the author may include a disclaimer of responsibility in which the author identifies the report, opinion or statement relied upon, the maker of that report, opinion or statement, the extent of reliance and the portions of the technical report to which the disclaimer applies.

Item 6: **Property Description and Location -** To the extent applicable, with respect to each property reported on, describe

(a) the area of the property in hectares or other appropriate units;

(b) the location, reported by~~ section, township, range mining division or district, municipality, province, state, country and National Topographic System designation or Universal Transverse Mercator (UTM) system, as applicable, or by latitude and longitude;~~ **an easily recognizable geographic and grid location system;**

(c) the claim numbers or equivalent, ~~whether they are patented or unpatented, or the applicable characterization in the jurisdiction in which they are situated~~**the claim type**, and whether the claims are contiguous;

(d) the nature and extent of the issuer's title to, or interest in, the property including surface rights, the obligations that must be met to retain the property, and the expiration date of claims, licences or other property tenure rights;

(e) ~~whether or not~~**the survey system used to locate** the property ~~has been legally surveyed~~**boundaries**;

(f) the location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements, relative to the outside property boundaries by showing the same on a map;

(g) to the extent known, the terms of any royalties, back-in rights, payments or other agreements and encumbrances to which the property is subject;

(h) to the extent known, all environmental liabilities to which the property is subject; and

(i) to the extent known, the permits that must be acquired to conduct the work proposed for the property, and if the permits have been obtained.

Item 7: **Accessibility, Climate, Local Resources, Infrastructure and Physiography–** - With respect to each property reported on, describe

(a) topography, elevation and vegetation;

(b) the means of access to the property;

(c) the proximity of the property to a population centre, and the nature of transport;

(d) to the extent relevant to the mineral project, the climate and the length of the operating season; and

(e) to the extent relevant, the sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pad areas and potential processing plant sites.

Item 8: **History -** To the extent known, with respect to each property reported on, describe

(a) the prior ownership of the property and ownership changes;

(b) the type, amount, quantity and results of exploration and/or development work undertaken by the owners and any previous owners;

(c) historical mineral resource and mineral reserve estimates **in accordance with 2.4 of the Instrument**, including the reliability of the historical estimates and whether the estimates are in accordance with the categories set out in sections ~~1.3~~**1.2** and ~~1.4~~**1.3** of the Instrument; and

(d) any production from the property.

INSTRUCTION: *If a reporting system other than the one stipulated by the Instrument has been used, the* ~~author~~***qualified person*** *shall include an explanation of the differences and reliability.*

Item 9: **Geological Setting -** Include a **concise** description of the regional, local and property geology.

Item 10: **Deposit Types -** Describe the mineral deposit type(s) being investigated or being explored for and the geological model or concepts being applied in the investigation and on the basis of which the exploration program is planned.

Item 11: **Mineralization -** Describe the mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity, together with a description of the type, character and distribution of the mineralization.

Item 12: **Exploration -** Describe the nature and extent of all relevant exploration work conducted by, or on behalf of, the issuer on each property being reported on, including

(a) results of surveys and investigations, and the procedures ~~and parameters~~ relating to the surveys and investigations;

(b) an interpretation of the exploration information; **and**

(c) a statement as to whether the surveys and investigations have been carried out by the issuer or by a contractor and, if the latter, identifying the contractor~~; and~~**.**

~~(d) a discussion of the reliability or uncertainty of the data obtained in the program.~~

Item 13: **Drilling -** Describe the type and extent of drilling including the procedures followed and a summary and interpretation of all results. The relationship between the sample length and the true thickness of the mineralization must be stated, if known, and if the orientation of the mineralization is unknown, state this.

Item 14: **Sampling Method and Approach -** Include

(a) a description of sampling methods and **relevant** details of location, number, type, nature and spacing or density of samples collected, and the size of the area covered;

(b) ~~Identification~~**identification** of any drilling, sampling or recovery factors that could materially impact the accuracy and reliability of the results;

(c) a discussion of the sample quality and of whether the samples are representative and of any factors that may have resulted in sample biases;

(d) a description of rock types, geological controls, widths of mineralized zones and other parameters used to establish the sampling interval and identification of any significantly higher grade intervals within a lower grade intersection; and

(e) a list of ~~individual~~**relevant** samples or sample composites with values and estimated true widths.

Item 15: Sample Preparation, Analyses and Security - Describe sample preparation methods and quality control measures employed prior to dispatch of samples to an analytical or testing laboratory, the method or process of sample splitting and reduction, and the security measures taken to ensure the validity and integrity of samples taken, including

(a) if any aspect of the sample preparation was conducted by an employee, officer, director or associate of the issuer;

(b) details regarding sample preparation, assaying and analytical procedures used, ~~including the sub-sample size,~~ the name and location of the analytical or testing laboratories and whether the laboratories are certified by any standards association and the particulars of any certification;

(c) a summary of the nature and extent of all quality control measures employed and check assay and other check analytical and testing procedures utilized, including the results and corrective actions taken; and

(d) a statement of the author's opinion on the adequacy of sampling, sample preparation, security and analytical procedures.

Item 16: Data Verification - Include a discussion of

(a) quality control measures and data verification procedures applied;

(b) whether the author has verified the data referred to or relied upon, referring to sampling and analytical data;

(c) the nature of and any limitations on such verification; and

(d) the reasons for any failure to verify the data.

Item 17: Adjacent Properties - A technical report may include information concerning an adjacent property if

(a) such information was publicly disclosed by the owner or operator of the adjacent property;

(b) the source of the information ~~and any relationship of the author of the information on the adjacent property to the issuer is identified;~~ **:**

(c) the technical report states that its author has been unable to verify the information and, in bold face type, that the information is not necessarily indicative of the mineralization on the property that is the subject of the technical report;

(d) the technical report clearly distinguishes between mineralization on the adjacent property and mineralization on the property being reported on; and

(e) if any historical estimates of mineral resources and mineral reserves are included in the technical report, they are disclosed in accordance with section 2.4 of the Instrument.

Item 18: Mineral Processing and Metallurgical Testing - Where mineral processing and/or metallurgical testing analyses have been carried out, include the results of **the** testing ~~and~~**,** details of ~~sample selection representativity and~~**the** testing and analytical procedures**, and discuss whether the samples are representative**.

Item 19: **Mineral Resource and Mineral Reserve Estimates -** Each technical report on mineral resources and mineral reserves shall

(a) use only the applicable mineral resource and mineral reserve categories set out in sections ~~1.3~~**1.2** and ~~1.4~~**1.3** of the Instrument;

(b) report each category of mineral resources and mineral reserves separately and if both mineral resources and mineral reserves are disclosed, state the extent, if any, to which mineral reserves are included in total mineral resources;

(c) not add inferred mineral resources to the other categories of mineral resources;

(d) disclose the name, qualifications and relationship, if any, to the issuer of the qualified person who estimated mineral resources and mineral reserves;

(e) include appropriate details of quantity and grade or quality for each category of mineral resources and mineral reserves;

(f) include details of the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves;

(g) include a general discussion on the extent to which the estimate of mineral resources and mineral reserves may be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues;

(h) identify the extent to which the estimates of mineral resources and mineral reserves may be materially affected by mining, metallurgical, infrastructure and other relevant factors;

(i) use only indicated mineral resources, measured mineral resources, probable mineral reserves and proven mineral reserves when referring to mineral resources or mineral reserves in an economic evaluation that is used in a preliminary feasibility study or a feasibility study of a mineral project;

(j) **if inferred mineral resources are used in an economic analysis, state the required disclosure set out in subsection 2.3(3) of the Instrument;**

(k) **when the results of an economic analysis of mineral resources is reported, state "mineral resources that are not mineral reserves do not have demonstrated economic viability";**

(l) ~~(j)~~ state the grade or quality, quantity and category of the mineral resources and mineral reserves if the quantity of contained metal **or mineral** is reported; and

(m) ~~(k)~~ when the grade for a polymetallic mineral resource or mineral reserve is reported as metal equivalent, report the individual grade of each metal, and consider and report the recoveries, refinery costs and all other relevant conversion factors in addition to metal prices and the date and sources of such prices.

INSTRUCTIONS

*(1) The methods and procedures to be used in estimating mineral resources and mineral reserves are the responsibility of the ~~authors~~**qualified persons** preparing the estimate.*

(2) A statement of quantity and grade or quality is an estimate and shall be rounded to reflect the fact that it is an approximation.

*(3) An issuer that is incorporated or organized in a foreign jurisdiction may file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, ~~USGS Circular 831 or IMM system~~**SEC Industry Guide 7, IMMM System, or SAMREC Code** provided that a reconciliation to the mineral resource and mineral reserve categories referred to in sections ~~1.3~~ **1.2** and ~~1.4~~ **1.3** of the Instrument is filed with the technical report and certified by the ~~author. The reconciliation shall also address the confidence levels required for the categorizations of mineral resources and mineral reserves.~~**qualified person.***

Item 20: **Other Relevant Data and Information -** Include any additional information or explanation necessary to make the technical report understandable and not misleading.

Item 21: **Interpretation and Conclusions** - ~~Include~~**Summarize** the results and ~~reasonable~~ interpretations of all field surveys, analytical and testing data and other relevant information. Discuss the adequacy of data density and the data reliability as well as any areas of uncertainty. A technical report concerning exploration information shall include the conclusions of the author. The author must discuss whether the completed project met its original objectives.

Item 22: **Recommendations - Provide particulars of the recommended work programs and a breakdown of costs for each phase.** If successive phases of work are recommended, each phase must culminate in a decision point. The recommendations shall not apply to more than two phases of work. The recommendations shall state whether advancing to a subsequent phase is contingent on positive results in the previous phase. ~~Provide particulars of the recommended programs and a breakdown of costs for each phase.~~ A technical report that contains recommendations for expenditures on exploration or development work on a property shall include a statement by a qualified person that, in the qualified person's opinion, the character of the property is of sufficient merit to justify the program recommended.

Item 23: **References -** Include a detailed list of all references cited in the technical report.

Item 24: **Date** ~~- Include the~~**and Signature Page - The technical report must have a title page at the beginning and a signature page at the end, signed in accordance with section 5.2 of the Instrument. The** effective date of the technical report **must be** on both the title page and the ~~page of the technical report that is signed.~~ **signature page.** The date of signing must also be included ~~on~~**in** the signature page.

Item 25: **Additional Requirements for Technical Reports on Development Properties and Production Properties -** Technical reports on development properties and production properties shall also include

(a) Mining Operations - information and assumptions concerning the mining method, metallurgical processes and production forecast;

(b) Recoverability - information concerning results of all test and operating results relating to the recoverability of the valuable component or commodity and amenability of the mineralization to the proposed processing methods;

(c) Markets - information concerning the markets for the issuer's production and the nature and material terms of any agency relationships;

(d) Contracts - a discussion of whether the terms of mining, concentrating, smelting, refining, transportation, handling, sales and hedging and forward sales contracts or arrangements, rates or charges are within ~~market parameters;~~**industry norms;**

(e) Environmental Considerations - a discussion of bond posting, remediation and reclamation;

(f) Taxes - a description of the nature and rates of taxes, royalties and other government levies or interests applicable to the mineral project or to production, and to revenues or income from the mineral project;

(g) Capital and Operating Cost Estimates - capital and operating cost estimates, with the major components being set out in tabular form;

(h) Economic Analysis - an economic analysis with cash flow forecasts on an annual basis using proven mineral reserves and probable mineral reserves only, and sensitivity analyses with variants in metal prices, grade, capital and operating costs;

(i) Payback - a discussion of the payback period of capital with imputed or actual interest;

(j) Mine Life - a discussion of the expected mine life and exploration potential.

Item 26: **Illustrations** ~~-~~

(a) Technical reports shall be illustrated by legible maps, plans and sections. All technical reports shall be accompanied by a location or index map and more detailed maps showing all important features described in the text. In addition, technical reports shall include a compilation map outlining the general geology of the property and areas of historical exploration. The location of all known mineralization, anomalies, deposits, pit limits, plant sites, tailings storage areas, waste disposal areas and all other significant features shall be shown relative to property boundaries. Maps, drawings and diagrams that

have been created by the author, in whole or in part, and that are based on the work that the author has done or supervised, shall be signed and dated by the author. Where information from other sources, either government or private, is used in preparing these maps or diagrams~~,~~ the source of the information shall be named.

(b) If adjacent or nearby properties have an important bearing on the potential of the property under consideration, their location and any mineralized structures common to two or more such properties shall be shown on the maps.

(c) If the potential merit of a property is predicated on geophysical or geochemical results, maps showing the results of surveys and their interpretations shall be included in the technical report.

(d) Maps shall include a scale in bar form and an arrow indicating North. Information taken from government maps or from drawings of other engineers or geoscientists shall be acknowledged on the map.

INSTRUCTION: Illustrations should be sufficiently summarized and simplified so that they are not oversized and are suitable for electronic filing.

PROPOSED FORM 43-101F1
TECHNICAL REPORT

TABLE OF CONTENTS

TITLE

CONTENTS OF THE TECHNICAL REPORT

PROPOSED FORM 43-101F1
TECHNICAL REPORT

INSTRUCTIONS

(1) The objective of the technical report is to provide scientific and technical information concerning mineral exploration, development and production activities on a mineral property that is material to an issuer. This Form sets out specific requirements for the preparation and contents of a technical report.

(2) Terms used in this Form that are defined or interpreted in National Instrument 43-101 Standards of Disclosure for Mineral Projects (the "Instrument") shall bear that definition or interpretation. In addition, a general definition instrument has been adopted as National Instrument 14-101 Definitions that contains definitions of certain terms used in more than one national instrument. Readers of this Form should review both these national instruments for defined terms.

(3) The qualified person preparing the technical report shall use the headings of the Items in this Form and may create sub-headings. If unique or infrequently used technical terms are required, clear and concise explanations shall be included.

(4) No disclosure need be given in respect of inapplicable items and, unless otherwise required by this Form, negative answers to items may be omitted. Disclosure included under one heading is not required to be repeated under another heading.

(5) The technical report is not required to include the information required in Items 6 through 11 of this Form to the extent that the required information has been previously filed in a report for the property being reported on, the previous report is referred to in the technical report and there has not been any material change in the information.

(6) The technical report for development properties and production properties may summarize the information required in the Items of this Form, except for Item 25, provided that the summary includes the material information necessary to understand the project at its current stage of development or production.

(7) Except for a disclaimer that meets the limited purpose in Item 5 of this Form, a technical report must not contain any other disclaimers. For example, the types of disclaimers prohibited would include any disclaimer of responsibility for or reliability on all, or a portion of, the report that the qualified person prepared or any limitations on the use or publication of the report that would interfere with an issuer's obligation to reproduce the report by filing it on SEDAR.

CONTENTS OF THE TECHNICAL REPORT

Item 1: **Title Page -** Include a title page setting out the title of the technical report, the general location of the mineral project, the name and professional designation of each qualified person and the effective date of the technical report.

Item 2: **Table of Contents -** Provide a table of contents listing the contents of the technical report, including figures and tables.

Item 3: **Summary -** Provide a summary that briefly describes the property, its location, ownership, geology and mineralization, the exploration concept, the status of exploration, development and operations and the author's conclusions and recommendations.

Item 4: **Introduction -** Include a description of

(a) who the report is prepared for;

(b) the purpose for which the technical report was prepared;

(c) the sources of information and data contained in the technical report or used in its preparation, with citations if applicable; and

(d) the extent of field involvement of each author.

Item 5: **Reliance on Other Experts -** If the author of all or a portion of the technical report has relied on a report, opinion or statement of legal or other experts who are not qualified persons for information concerning legal, environmental, political or other issues and factors relevant to the technical report, the author may include a disclaimer of responsibility in which the author identifies the report, opinion or statement relied upon, the maker of that report, opinion or statement, the extent of reliance and the portions of the technical report to which the disclaimer applies.

Item 6: **Property Description and Location -** To the extent applicable, with respect to each property reported on, describe

(a) the area of the property in hectares or other appropriate units;

(b) the location, reported by an easily recognizable geographic and grid location system;

(c) the claim numbers or equivalent, the claim type, and whether the claims are contiguous;

(d) the nature and extent of the issuer's title to, or interest in, the property including surface rights, the obligations that must be met to retain the property, and the expiration date of claims, licences or other property tenure rights;

(e) the survey system used to locate the property boundaries;

(f) the location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements, relative to the outside property boundaries by showing the same on a map;

(g) to the extent known, the terms of any royalties, back-in rights, payments or other agreements and encumbrances to which the property is subject;

(h) to the extent known, all environmental liabilities to which the property is subject; and

(i) to the extent known, the permits that must be acquired to conduct the work proposed for the property, and if the permits have been obtained.

Item 7: **Accessibility, Climate, Local Resources, Infrastructure and Physiography -** With respect to each property reported on, describe

(a) topography, elevation and vegetation;

(b) the means of access to the property;

(c) the proximity of the property to a population centre, and the nature of transport;

(d) to the extent relevant to the mineral project, the climate and the length of the operating season; and

(e) to the extent relevant, the sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pad areas and potential processing plant sites.

Item 8: **History -** To the extent known, with respect to each property reported on, describe

(a) the prior ownership of the property and ownership changes;

(b) the type, amount, quantity and results of exploration and/or development work undertaken by the owners and any previous owners;

(c) historical mineral resource and mineral reserve estimates in accordance with 2.4 of the Instrument, including the reliability of the historical estimates and whether the estimates are in accordance with the categories set out in sections 1.2 and 1.3 of the Instrument; and

(d) any production from the property.

INSTRUCTION: *If a reporting system other than the one stipulated by the Instrument has been used, the qualified person shall include an explanation of the differences and reliability.*

Item 9: **Geological Setting -** Include a concise description of the regional, local and property geology.

Item 10: **Deposit Types -** Describe the mineral deposit type(s) being investigated or being explored for and the geological model or concepts being applied in the investigation and on the basis of which the exploration program is planned.

Item 11: **Mineralization -** Describe the mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity, together with a description of the type, character and distribution of the mineralization.

Item 12: **Exploration -** Describe the nature and extent of all relevant exploration work conducted by, or on behalf of, the issuer on each property being reported on, including

(a) results of surveys and investigations, and the procedures relating to the surveys and investigations;

(b) an interpretation of the exploration information; and

(c) a statement as to whether the surveys and investigations have been carried out by the issuer or by a contractor and, if the latter, identifying the contractor.

Item 13: **Drilling -** Describe the type and extent of drilling including the procedures followed and a summary and interpretation of all results. The relationship between the sample length and the true thickness of the mineralization must be stated, if known, and if the orientation of the mineralization is unknown, state this.

Item 14: **Sampling Method and Approach -** Include

(a) a description of sampling methods and relevant details of location, number, type, nature and spacing or density of samples collected, and the size of the area covered;

(b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy and reliability of the results;

(c) a discussion of the sample quality and of whether the samples are representative and of any factors that may have resulted in sample biases;

(d) a description of rock types, geological controls, widths of mineralized zones and other parameters used to establish the sampling interval and identification of any significantly higher grade intervals within a lower grade intersection; and

(e) a list of relevant samples or sample composites with values and estimated true widths.

Item 15: **Sample Preparation, Analyses and Security** - Describe sample preparation methods and quality control measures employed prior to dispatch of samples to an analytical or testing laboratory, the method or process of sample splitting and reduction, and the security measures taken to ensure the validity and integrity of samples taken, including

(a) if any aspect of the sample preparation was conducted by an employee, officer, director or associate of the issuer;

(b) details regarding sample preparation, assaying and analytical procedures used, the name and location of the analytical or testing laboratories and whether the laboratories are certified by any standards association and the particulars of any certification;

(c) a summary of the nature and extent of all quality control measures employed and check assay and other check analytical and testing procedures utilized, including the results and corrective actions taken; and

(d) a statement of the author's opinion on the adequacy of sampling, sample preparation, security and analytical procedures.

Item 16: **Data Verification -** Include a discussion of

(a) quality control measures and data verification procedures applied;

(b) whether the author has verified the data referred to or relied upon, referring to sampling and analytical data;

(c) the nature of and any limitations on such verification; and

(d) the reasons for any failure to verify the data.

Item 17: **Adjacent Properties -** A technical report may include information concerning an adjacent property if

(a) such information was publicly disclosed by the owner or operator of the adjacent property;

(b) the source of the information;

(c) the technical report states that its author has been unable to verify the information and, in bold face type, that the information is not necessarily indicative of the mineralization on the property that is the subject of the technical report;

(d) the technical report clearly distinguishes between mineralization on the adjacent property and mineralization on the property being reported on; and

(e) if any historical estimates of mineral resources and mineral reserves are included in the technical report, they are disclosed in accordance with section 2.4 of the Instrument.

Item 18: **Mineral Processing and Metallurgical Testing -** Where mineral processing and/or metallurgical testing analyses have been carried out, include the results of the testing, details of the testing and analytical procedures, and discuss whether the samples are representative.

Item 19: **Mineral Resource and Mineral Reserve Estimates -** Each technical report on mineral resources and mineral reserves shall

(a) use only the applicable mineral resource and mineral reserve categories set out in sections 1.2 and 1.3 of the Instrument;

(b) report each category of mineral resources and mineral reserves separately and if both mineral resources and mineral reserves are disclosed, state the extent, if any, to which mineral reserves are included in total mineral resources;

(c) not add inferred mineral resources to the other categories of mineral resources;

(d) disclose the name, qualifications and relationship, if any, to the issuer of the qualified person who estimated mineral resources and mineral reserves;

(e) include appropriate details of quantity and grade or quality for each category of mineral resources and mineral reserves;

(f) include details of the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves;

(g) include a general discussion on the extent to which the estimate of mineral resources and mineral reserves may be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues;

(h) identify the extent to which the estimates of mineral resources and mineral reserves may be materially affected by mining, metallurgical, infrastructure and other relevant factors;

(i) use only indicated mineral resources, measured mineral resources, probable mineral reserves and proven mineral reserves when referring to mineral resources or mineral reserves in an economic evaluation that is used in a preliminary feasibility study or a feasibility study of a mineral project;

(j) if inferred mineral resources are used in an economic analysis, state the required disclosure set out in subsection 2.3(3) of the Instrument;

(k) when the results of an economic analysis of mineral resources is reported, state “mineral resources that are not mineral reserves do not have demonstrated economic viability”;

(l) state the grade or quality, quantity and category of the mineral resources and mineral reserves if the quantity of contained metal or mineral is reported; and

(m) when the grade for a polymetallic mineral resource or mineral reserve is reported as metal equivalent, report the individual grade of each metal, and consider and report the recoveries, refinery costs and all other relevant conversion factors in addition to metal prices and the date and sources of such prices.

INSTRUCTIONS

(1) The methods and procedures to be used in estimating mineral resources and mineral reserves are the responsibility of the qualified persons preparing the estimate.

(2) A statement of quantity and grade or quality is an estimate and shall be rounded to reflect the fact that it is an approximation.

(3) An issuer that is incorporated or organized in a foreign jurisdiction may file a technical report that utilizes the mineral resource and mineral reserve categories of the JORC Code, SEC Industry Guide 7, IMMM System, or SAMREC Code provided that a reconciliation to the mineral resource and mineral reserve categories referred to in sections 1.2 and 1.3 of the Instrument is filed with the technical report and certified by the qualified person.

Item 20: **Other Relevant Data and Information -** Include any additional information or explanation necessary to make the technical report understandable and not misleading.

Item 21: **Interpretation and Conclusions -** Summarize the results and interpretations of all field surveys, analytical and testing data and other relevant information. Discuss the adequacy of data density and the data reliability as well as any areas of uncertainty. A technical report concerning exploration information shall include the conclusions of the author. The author must discuss whether the completed project met its original objectives.

Item 22: **Recommendations -** Provide particulars of the recommended work programs and a breakdown of costs for each phase. If successive phases of work are recommended, each phase must culminate in a decision point. The recommendations shall not apply to more than two phases of work. The recommendations shall state whether advancing to a subsequent phase is contingent on positive results in the previous phase. A technical report that contains recommendations for expenditures on exploration or development work on a property shall include a statement by a qualified person that, in the qualified person's opinion, the character of the property is of sufficient merit to justify the program recommended.

Item 23: **References -** Include a detailed list of all references cited in the technical report.

Item 24: **Date and Signature Page -** The technical report must have a title page at the beginning and a signature page at the end, signed in accordance with section 5.2 of the Instrument. The effective date of the technical report must be on both the title page and the signature page. The date of signing must also be included in the signature page.

Item 25: **Additional Requirements for Technical Reports on Development Properties and Production Properties -** Technical reports on development properties and production properties shall also include

(a) Mining Operations - information and assumptions concerning the mining method, metallurgical processes and production forecast;

(b) Recoverability - information concerning results of all test and operating results relating to the recoverability of the valuable component or commodity and amenability of the mineralization to the proposed processing methods;

(c) Markets - information concerning the markets for the issuer's production and the nature and material terms of any agency relationships;

(d) Contracts - a discussion of whether the terms of mining, concentrating, smelting, refining, transportation, handling, sales and hedging and forward sales contracts or arrangements, rates or charges are within industry norms;

(e) Environmental Considerations - a discussion of bond posting, remediation and reclamation;

(f) Taxes - a description of the nature and rates of taxes, royalties and other government levies or interests applicable to the mineral project or to production, and to revenues or income from the mineral project;

(g) Capital and Operating Cost Estimates - capital and operating cost estimates, with the major components being set out in tabular form;

(h) Economic Analysis - an economic analysis with cash flow forecasts on an annual basis using proven mineral reserves and probable mineral reserves only, and sensitivity analyses with variants in metal prices, grade, capital and operating costs;

(i) Payback - a discussion of the payback period of capital with imputed or actual interest;

(j) Mine Life - a discussion of the expected mine life and exploration potential.

Item 26: **Illustrations**

(a) Technical reports shall be illustrated by legible maps, plans and sections. All technical reports shall be accompanied by a location or index map and more detailed maps showing all important features described in the text. In addition, technical reports shall include a compilation map outlining the general geology of the property and areas of historical exploration. The location of all known mineralization, anomalies, deposits, pit limits, plant sites, tailings storage areas, waste disposal areas and all other significant features shall be shown relative to property boundaries. Maps, drawings and diagrams that have been created by the author, in whole or in part, and that are based on the work that the author has done or supervised, shall be signed and dated by the author. Where information from other sources, either government or private, is used in preparing these maps or diagrams the source of the information shall be named.

(b) If adjacent or nearby properties have an important bearing on the potential of the property under consideration, their location and any mineralized structures common to two or more such properties shall be shown on the maps.

(c) If the potential merit of a property is predicated on geophysical or geochemical results, maps showing the results of surveys and their interpretations shall be included in the technical report.

(d) Maps shall include a scale in bar form and an arrow indicating North. Information taken from government maps or from drawings of other engineers or geoscientists shall be acknowledged on the map.

INSTRUCTION: *Illustrations **should** be sufficiently summarized and simplified so that they are not oversized and are suitable for electronic filing.*

PROPOSED COMPANION POLICY 43-101CP
TO NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

TABLE OF CONTENTS

PROPOSED COMPANION POLICY 43-101CP
TO NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

~~PART 1 PURPOSE AND DEFINITIONS~~

~~1.1 Purpose -~~ This companion policy sets out the views of the Canadian Securities Administrators (the "CSA") as to the manner in which **the CSA interprets and applies** certain provisions of National Instrument 43-101 ~~(the "Instrument") are to be interpreted and applied~~**and Form 43-101F1 (the "Instrument"), and how the securities regulatory authorities or regulators may exercise their discretion in respect of certain applications for exemption from provisions of the Instrument**.

PART 1 APPLICATION AND TERMINOLOGY

1.1 Supplements Other Requirements – The Instrument supplements other continuous disclosure requirements of securities legislation that apply to reporting issuers in all business sectors.

1.2 Evolving Industry Standards and Modifications to the Instrument - Mining industry practice and professional standards are evolving in Canada and internationally. The ~~Canadian~~ securities regulatory authorities will monitor developments in these fields and will solicit and consider recommendations from their staff and external advisers, from time to time, as to whether modifications to the Instrument are appropriate.

1.3 Application of the Instrument - The ~~Instrument does not apply to disclosure concerning petroleum, natural gas, bituminous sands or shales, groundwater or other substances that do not fall within the meaning of the term "mineral resource" in section 1.3 of~~ **definition of "disclosure" under** the Instrument **includes oral and written disclosure**. The Instrument establishes standards for ~~all oral statements and written~~ disclosure of scientific and technical information regarding mineral projects~~, including disclosure in news releases, prospectuses and annual reports,~~ and requires that the disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person. ~~In the circumstances set out in section 5.3 of the Instrument, the technical report that is required to be filed must be prepared by a qualified person who is independent of the issuer, the property and any adjacent property.~~ **The Instrument does not apply to disclosure concerning petroleum, natural gas, bituminous sands or shales, groundwater or other substances that do not fall within the meaning of the term "mineral resource" in section 1.2 of the Instrument.**

1.4 Mineral Resources and Mineral Reserves Definitions - The Instrument incorporates by reference the definitions and categories of mineral resources and mineral reserves as set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves Definitions and Guidelines (the "CIM Standards") adopted by the CIM Council on August 20, ~~2000~~ **2000 as amended, supplemented, or replaced.** These definitions, together with guidance on their interpretation and application prepared by the CIM, are reproduced in the Appendix to this Companion Policy. Issuers, qualified persons and other market participants are encouraged to consult the CIM Standards for guidance.

~~Any changes made by the CIM to these definitions in the future will automatically be incorporated by reference into the Instrument.~~

1.5 ~~Non-Metallic Mineral Deposits~~ ~~- Issuers making disclosure regarding the following commodities are encouraged to follow these additional guidelines:~~**Best Practices Guidelines for Mineral Resources and Mineral Reserves - A qualified person classifying a mineral deposit as a mineral resource or mineral reserves should follow the CIM Estimation of Mineral Resource and Mineral Reserve Best Practices Guidelines (the CIM Resource and Reserve Guidelines) adopted by CIM on November 23, 2003, as amended, supplemented, or replaced. These guidelines are posted on www.cim.org.**

~~**(a)** Industrial Minerals - For an industrial mineral deposit to be classified as a mineral resource, there should be recognition by the qualified person preparing the quantity and quality estimate that there is a viable market for the product or that a market can be reasonably developed. For an industrial mineral deposit to be classified as a mineral reserve, the qualified person preparing the estimate should be satisfied, following a thorough review of specific and identifiable markets for the product, that there is, at the date of the technical report, a viable market for the product and that the product can be mined and sold at a profit.~~

~~**(b)** Coal - Technical reports on~~**For coal, a qualified person classifying** coal resources and reserves ~~should conform to the definitions and~~**may follow the** guidelines of Paper 88-21 of the Geological Survey of Canada: A Standardized Coal Resource/Reserve Reporting System for Canada, as amended,

supplemented or replaced~~; and~~ **(Paper 88-21). The CSA remind issuers that Paper 88-21 only contemplates a Canadian scheme for reporting and therefore, the CSA believes it is not reasonable to extrapolate this to foreign schemes. For consistency, for all coal reporting, the securities regulatory authority urges all issuers to use the mineral resource and mineral reserve categories set out in the CIM Standards and not the categories set out in Paper 88-21.**

1.6 **Best Practices Guidelines for Mineral Exploration - Issuers and qualified persons should follow the Mineral Exploration "Best Practices" Guidelines adopted by CIM, published in June 2000, as amended, supplemented, or replaced.**

~~(c)~~ Diamonds - Technical reports on the resources and reserves**Disclosure regarding the reporting** of diamond ~~deposits~~**exploration sampling results** should conform to the **CIM** Guidelines for Reporting of Diamond Exploration Results~~, Identified Mineral Resources and Ore Reserves, published by the Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories,~~ **adopted by CIM in March 2003,** as amended, supplemented**,** or replaced.

These guidelines are posted on www.cim.org.

~~**1.6** Objective Standard of Reasonableness~~

1.7 **Preliminary Assessments - The term "preliminary assessment", commonly referred to as a scoping study, is defined in the Instrument. It is a type of study that includes an economic evaluation taken at an early stage of the project prior to a preliminary feasibility study. The CSA consider an economic evaluation to include disclosure of forecast mine production rates that may contain capital costs to develop and sustain the mining operation, operating costs, and projected cash flows. A preliminary assessment must be either in the form of a technical report, or be supported by a technical report.**

Although preliminary assessments can provide important information to the market, because of the early stage of the project, the information has a high degree of uncertainty and can be used as the basis for abusive market tactics. An issuer must disclose a preliminary assessment that is a material change in its affairs. In so doing, an issuer may trigger a technical report under subsection 4.2(1) 10. of the Instrument. Also, if the preliminary assessment includes inferred minerals resources an issuer must provide the proximate statement required by subsection 2.3(3)(b) of the Instrument. The purpose of the proximate statement is to alert an investor to the limitations of the information.

1.8 (a) The Instrument requires the application of**Objective Standard of Reasonableness - Issuers should apply** an objective standard of reasonableness in ~~determining such things as whether a statement constitutes "disclosure" and is thereby subject to the requirements of the Instrument.~~**making a determination about the definitions or application of a requirement in the Instrument** Where a determination turns on reasonableness, the test is an objective, rather than subjective one in that it turns on what a person acting reasonably would conclude. It is not sufficient for an officer of an issuer or a qualified person to determine that he or she personally believes the matter under consideration. The person must form an opinion as to what a reasonable person would believe in the circumstances. Formulating the definitions using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to a person's application of the definition in particular circumstances.

~~(b) The definition of "preliminary feasibility study" and "pre-feasibility study" requires the application of an objective test. For a study to fall within the definition, the considerations or assumptions underlying the study must be reasonable and sufficient for a qualified person, acting reasonably, to determine if the mineral resource may be classified as a mineral reserve.~~

1.9 **Improper Use of Terms in French Language - An issuer that prepares its disclosure using the French language must ensure that it uses the proper terms when referring to a mineral deposit. In the French language, an issuer must not use the words "gisement" and "gîte" interchangeably. The word "gisement" means a mineral deposit that is a continuous, well-defined mass of material containing a sufficient volume of mineralized material that can be or has been mined legally and economically. The word "gîte" means a mineral deposit that is a continuous, well-defined mass of material containing a sufficient volume of mineralized material that has had no demonstration of economic viability. Therefore, an issuer must use these terms properly so that an investor understands whether the deposit has demonstrated economic viability or not.**

PART 2 DISCLOSURE

2.1 **Disclosure is the Responsibility of the Issuer -** Primary responsibility for public disclosure remains with the issuer and its directors and officers. The qualified person is responsible for preparing the technical report and providing scientific and technical advice in accordance with applicable professional standards. The proper use, by or on behalf of the issuer, of the technical report and other scientific and technical information provided by the qualified person is the responsibility of the issuer and its directors and officers. The onus is on the issuer and its directors and officers and, in the case of a document filed with a regulator, each signatory of the document, to ensure that disclosure in the document is consistent with the related technical report or advice. Issuers are strongly urged to have the qualified person review disclosure that summarizes or restates the technical report or the technical advice or opinion to ensure that the disclosure accurately reflects the qualified person's work.

2.2 **Use of Plain Language -** Disclosure made by or on behalf of an issuer regarding mineral projects on properties material to the issuer should be understandable. ~~Written~~**Issuers should present written** disclosure~~ should be presented~~ in an easy to read format using clear and unambiguous language. Wherever possible, ~~data~~**issuers** should ~~be presented~~**present data** in table format. The CSA recognize that the technical report ~~required by the Instrument is a document that~~ does not lend itself well to ~~a~~ "plain language"~~ format~~ and therefore urge issuers to consult the responsible qualified person when restating the data and conclusions from a technical report in plain language ~~for use~~ in ~~other~~**its** public disclosure.

2.3 **Prohibited Disclosure**

(1) Paragraph 2.2(c) of the Instrument prohibits the addition of inferred mineral resources to the other categories of mineral resources. Issuers are cautioned not to show a sum of mineral resources, or to refer to an aggregate number of mineral resources that includes inferred mineral resources.

(2) ~~Issuers are reminded that any~~**Paragraph 2.3(1) of the Instrument prohibits the** disclosure of a target of further exploration **that has not been categorized as required. It also prohibits the disclosure of an economic evaluation, including a preliminary assessment, preliminary feasibility study, and a feasibility study, that includes inferred resources. However,** pursuant to subsection 2.3(2) ~~or a of preliminary assessment pursuant to subsection 2.3(3) must be~~**and 2.3(3), these prohibitions are excepted if the disclosure is accompanied by the required proximate statements in those sections and is** based on information prepared by or under the supervision of a qualified person.

2.4 **Materiality**

(1) Materiality should be determined in the context of the particular issuer's overall business and financial condition taking into account quantitative and qualitative factors. Materiality is a matter of judgment ~~in~~**to be made in light of** the particular circumstances~~ and should be determined in relation to the significance of the information to investors, analysts and other users of the disclosure~~**, taking into account both qualitative and quantitative factors, assessed in respect of the issuer as a whole**.

(2) In assessing materiality, issuers should refer to the definition of ~~"~~**"**material fact~~"~~**"** in securities legislation, which in most jurisdictions means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities of the issuer. **In making materiality judgements, issuers should take into account a number of factors that cannot be captured in a simple bright-line standard or test. An issuer must consider the effect on both the market price and value of the issuer's securities in light of the current market activity. Therefore, an assessment of materiality depends on the context. Information that is immaterial today may be material for tomorrow. An item of information that is immaterial alone may be material if it part of an aggregate of items.**

(3) ~~Materiality~~**For example, materiality** of a property should be assessed in light of the extent of the interest in the property held, or to be acquired, by the issuer. A small interest in a sizeable property may, in the circumstances, not be material to the issuer. **Property to be acquired by the issuer may, in certain circumstances, be material to the issuer.**

(4) ~~In~~**For another example, in** assessing whether interests represented by multiple claims or other documents of title constitute a single property for the purpose of the Instrument, issuers should ~~be guided by the reasonable understanding and expectations of investors~~**consider that several non-material properties in a contiguous cluster may be material to the issuer, as a whole**.

(5) ~~Subject to developments not reflected in the issuer's financial statements, for purposes of the Instrument, a property will generally not be considered material to an issuer if the book value of the property, as reflected in the issuer's most recently filed financial statements or the value of the consideration paid or required to be paid for the property, including exploration expenditures required to be made during the next 12 months, is less than 10 percent of the book value of the total of the issuer's mineral properties and related property, plant and equipment.~~**For another example, when disclosing results of a drilling program the results from a single hole may not be material in itself. However, the results of several holes, in aggregate, could be material to the issuer.**

2.5 **Material Information not yet Confirmed by a Qualified Person -** Issuers are reminded that they have an obligation under **provincial and territorial** securities legislation to disclose material facts and to make timely disclosure of material changes. The ~~Canadian~~ securities regulatory authorities recognize that there may be circumstances in which the issuer expects that certain information concerning a mineral project may be material notwithstanding the fact that a qualified person has not prepared or supervised the preparation of the information. In this situation the ~~Canadian~~ securities regulatory authorities suggest that issuers file a confidential material change report concerning this information while a qualified person reviews the situation. Once a qualified person has confirmed the information, ~~a~~ the issuer ~~may~~**should** issue a news release and the basis of confidentiality will end. **Issuers are also reminded that during the period of confidentiality, prohibitions against tipping and trading by persons in a special relationship to the issuer apply until the information is fully disclosed to the public. Issuers should also refer to National Policy 51-201 *Disclosure Standards* for further guidance about timely disclosure obligations.**

2.6 **Exception ~~in Section 3.5 of the~~** Instrument**for Disclosure Previously Filed -** Section 3.5 of the Instrument provides that the disclosure requirement of sections ~~3.3~~**3.2, 3.3,** and 3.4 of the Instrument may be satisfied by referring to a previously filed document that includes the required disclosure. Issuers relying on this exception are reminded that all disclosure should provide sufficient information to permit market participants to make informed investment decisions and should not present or omit information in a manner that is misleading.

2.7 **Meaning of Current Technical Report -** ~~In the view of the CSA, the~~**The** "current technical report" referred to in sections 4.2 and 4.3 of the Instrument is a technical report that contains all information required under the Form 43-101F1 in respect of the subject property as at the date on which the technical report is filed. A technical report may constitute a current technical report, even if prepared considerably before the filing date, if the information in the technical report remains accurate and does not omit materially new information as at the date of filing.

2.8 **Exceptions from Requirement ~~for~~to File Technical Report with Annual Information Form, Annual MD&A, Annual Report and Preliminary Short Form Prospectus if Information Previously Disclosed ~~–~~ The Instrument contains relief from the technical report filing requirement in certain instances.** If an issuer has disclosed scientific and technical information on a mineral property in ~~a disclosure document (as defined in section 1.2 of the Instrument), or in a technical report prepared in accordance with National Policy No. 2-A filed before February 1, 2001,~~**an annual information form, prospectus, or material change report** the issuer will not be required to prepare and file a technical report with the issuer's annual information form, annual **MD&A, annual** report**,** or preliminary short form prospectus~~,~~ unless the ~~annual information form, annual report or preliminary short form prospectus~~**disclosure** contains new and material scientific and technical information about that mineral property.

2.9 **Use of Historical Estimates**

(1) **Under section 2.4 of the Instrument, when an issuer options or agrees to buy a property, the issuer can disclose an estimate of resources and reserves made before February 1, 2001 using the old terminology of the estimate provided the issuer complies with the conditions set out in that section. An issuer will trigger the filing of a current technical report if it makes disclosure of the historical estimate as if it is a current estimate. Therefore, issuers should refer to the following guidance for reporting historical estimates.**

(2) **The announcement of the acquisition and the historical estimate will not trigger the requirement to file a technical report under subsection 4.2(1) 10. of the Instrument if the issuer's disclosure states that the estimates are not current and the issuer has disclosed the estimate as a historical resource or reserve. The disclosure must also include the following cautionary statements:**

- **the issuer has not done the work necessary to verify the classification of the resource or reserve,**

- **the issuer is not treating them as a National Instrument 43-101 defined resource or reserve verified by a qualified person, and**

- **the historical estimate should not be relied upon.**

(3) If the issuer's disclosure shows that the issuer is treating the historical estimate as a current resource and reserve, for example, by using the definitions under the Instrument and stating the issuer will be adding on or building on that resource or reserve base, then the issuer is required to file a current technical report on the property within 30 days of the issuer's disclosure if

i. the property, or interest in the property, is material to the issuer, and

ii. the acquisition of the resources and reserves is a material change in the affairs of the issuer.

This 30-day period is set out under section 4.2(4) of the Instrument.

(4) In most cases, this 30-day period will not begin to run until the issuer enters into a formal purchase or option agreement, which should allow the issuer time to complete its due diligence and have the technical report prepared. If the issuer, at the time of the disclosure, has not signed a formal agreement, but is conducting its day to day operations in reliance on the terms of a letter of intent or memorandum of understanding, then the 30-day period will begin to run from the time the issuer first discloses the historical estimate as a resource or reserve without the three cautionary statements set out in paragraph (2) above.

(5) If the agreement is subject to conditions such as the approval of a third party or the completion of a 60-day due diligence review, the technical report is still required to be filed within 30 days after the issuer enters into the agreement. However, the issuer may apply for relief to extend the 30-day period. Whether or not the securities regulators will grant such relief depends on the circumstances.

2.10 Use of Other Foreign Codes – Issuers are prohibited from using foreign codes other than those permitted under Part 7 of the Instrument. Therefore, if an issuer announces an acquisition or proposed acquisition of a property that contains estimates of tonnes and grade that are not historical (ie. they were not categorized before February 1, 2001) and are not according to the CIM Standards or the alternative codes under Part 7, then the issuer may apply for an exemption under section 9.1 to permit that issuer to disclose that foreign estimate as is, and if applicable, an extension of time for filing a technical report to support the disclosure. If granted, the relief would likely include the conditions set out under section 2.4 (a) to (e) of the Instrument.

Issuers are reminded that they have an obligation under provincial and territorial securities legislation to disclose material facts and to make timely disclosure of material changes. Therefore, the issuer should arrange its affairs in advance to comply with those requirements and the requirements in the Instrument if it is considering the acquisition of a foreign property and wishes to disclose estimates using foreign codes not permitted under the Instrument (ie. the Russian or Chinese codes). Issuers that have difficulty doing this should consider filing a confidential material change report and maintain a period of confidentiality until they obtain an exemption or convert the estimates and disclose them in accordance with the Instrument. Issuers should also refer to section 2.5 of this Companion Policy for further guidance about timely disclosure obligations.

Issuer may also consider disclosing the quantity and grade of mineralization of a possible mineral deposit as a range with the proximate statements set out under section 2.3(2) of the Instrument.

PART 3 AUTHOR OF THE TECHNICAL REPORT

3.1 Selection of Qualified Person - It is the responsibility of the issuer and its directors and officers to appoint a qualified person ~~with~~**who meets the criteria listed under the definition in the Instrument of qualified person, including having the relevant** experience and competence ~~appropriate~~ for the subject matter of the technical report.

3.2 Assistance of non-Qualified Persons - A person who is not a qualified person may work on a project. If a qualified person relies on the work of a person who is not a qualified person to prepare a technical report or to provide information or advice to the issuer, it is up to the qualified person to take whatever steps are

appropriate, in his or her professional judgement, to ensure that the information that he or she relies upon is sound. A qualified person is required to visit the site and cannot delegate the personal inspection requirement.

3.3 More than One Qualified Person - Section 2.1 of the Instrument requires that all disclosure be based upon a technical report or other information prepared by or under the supervision of a qualified person. Section 5.1 of the Instrument provides that a technical report must be prepared by or under the supervision of one or more qualified persons. Several qualified persons may author different portions of the report. In that case, each of them must provide a certificate and consent required under Part 8 of the Instrument. Each qualified person who is primarily responsible for preparing or supervising the preparation of the technical report must sign it.

When one or more qualified persons prepare a technical report that includes a mineral resource or mineral reserve estimate prepared by another qualified person for a previously filed technical report, one of the qualified person's preparing the new technical report must take responsibility for those estimates repeated in the new technical report. In doing this, that qualified person should make whatever investigations are necessary to reasonably rely on that information.

3.4 Exemption from Qualified Person Requirement

(1) ~~**3.2 Qualified Person** - Section 2.1 of the Instrument requires that all disclosure be based upon a technical report or other information prepared by or under the supervision of a qualified person and section 5.1 of the Instrument provides that a technical report must be prepared by or under the supervision of one or more qualified persons. The Canadian~~**The** securities regulatory authorities recognize that certain individuals who currently provide technical expertise to issuers will not be considered qualified persons for purposes of the Instrument. These individuals may have the necessary experience and expertise ~~but may lack the professional accreditation because of differences in provincial registration requirements or for other reasons.~~ **and the other criteria required under the definition in the Instrument of qualified person.** Application can be made by an issuer under section 9.1 of the Instrument for an exemption from the requirement for involvement of a qualified person and the acceptance of another person. The application should demonstrate the person's **experience,** competence and qualification to prepare the technical report or other information in support of the disclosure despite the fact that he or she ~~is not a member of a professional association or otherwise~~ does not meet the requirements set out in the definition in the Instrument of qualified person.

(2) Requests for exemption from the requirement that the qualified person belong to a professional association will rarely be granted. Where an issuer wishes to retain a person who is well qualified and who does not belong to a professional association because no association exists in his or her jurisdiction or because it is not common practice for members of his or her profession to be registered in the jurisdiction, securities regulatory authorities will consider granting an exemption. However, if there is any other qualified person known to the issuer who has been to the site and is able to co-author the report, then an exemption will not likely be granted. Also, the securities regulatory authorities will generally not grant relief to an issuer that has a qualified person in its management positions, as such qualified persons should take responsibility for the issuer's scientific and technical disclosure on its mineral projects.

(3) In the event an exemption is granted, if the person wishes to continue to provide services either to the same issuer or to another issuer that makes public disclosure in Canada, then the person will be urged to join a professional association, as the securities regulatory authority or regulator will not likely grant continued relief.

3.5 ~~3.3~~ **Independence of Qualified Person**

(1) ~~Paragraph 1.5(4)(c)~~**Section 1.4** of the Instrument provides ~~that~~**the test an issuer and a qualified person should apply to determine whether** a qualified person is ~~not~~ considered to be independent of the issuer ~~if the qualified person, or any affiliated entity of the qualified person, owns or by reason of an agreement, arrangement or undertaking expects to receive any securities of the issuer or an affiliated entity of the issuer or an interest in the property that is the subject of the technical report. The Canadian~~**. The test should be applied like this: if a reasonable person would consider the existence of any relationship described in section 1.4 of the Instrument would influence the qualified person's judgement, then the qualified person is probably not independent. If the issuer applies for relief, the** securities regulatory authorities ~~recognize that issuers undergoing restructuring may settle outstanding debt to a qualified person with securities. In these circumstances, an issuer may apply~~

~~for~~**may consider granting** an exemption under section 9.1 of the Instrument ~~to preserve the independence of the qualified person with respect to the issuer.~~**if the issuer demonstrates why the involvement of an independent qualified person does not need to be preserved in a particular circumstance.**

Applying this test, the following are examples of when CSA staff would consider a qualified person not to be independent. These examples are not a complete list of non-independence situations. When an independent qualified person is required, an issuer must always apply the above test to confirm that the requirement is met.

A qualified person is not independent when the qualified person:

(a) is an employee, insider, or director of the issuer,

(b) is an employee, insider, or director of a related party of the issuer,

(c) is a partner of any person or company in paragraph (a) or (b),

(d) holds or expects to hold securities, either directly or indirectly, of the issuer or a related party of the issuer,

(e) holds or expects to hold securities, either directly or indirectly, in another issuer that possesses an interest in the property that is the subject of the technical report,

(f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property or a property contiguous to the property that is the subject of the technical report,

(g) holds or expects to hold securities, either directly or indirectly, in an issuer that has a direct or indirect interest in a property contiguous to the property that is the subject of the technical report,

(h) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the issuer or a related party of the issuer, and

(i) has received cash or securities of the issuer for past work done for the issuer under an understanding that the qualified person has a non-monetary debt to repay to the issuer for any future work for the issuer.

For the purpose of the above, "related party of the issuer" means an affiliate, associate, subsidiary, or control person of the issuer as those terms are defined under provincial and territorial securities legislation.

For the purpose of the above, there may some instances where, if a qualified person holds a very small number of an issuer's total issued securities or does not directly or indirectly control the trading of the securities, it would be reasonable to consider the qualified person's independence would not be compromised.

(2) There may be circumstances in which the staff at the securities regulatory authorities question the objectivity of the author of the technical report. ~~The~~ **In order to ensure the requirement for independence of the qualified person has been preserved, the** issuer may be asked to provide further information, additional disclosure or the opinion of another qualified person to address concerns about possible bias or partiality on the part of the original author.

(3) As in paragraph 3.2 above, provided that the independent qualified person has taken whatever steps are appropriate, in his or her professional judgment, to ensure that the information he or she relies on is sound, and takes responsibility for that information, the independent qualified person may rely on work done and information provided by others, including other non-independent qualified persons. However, the independent qualified person must visit the site and cannot delegate the personal inspection requirement.

PART 4 PREPARATION OF TECHNICAL REPORT

4.1 ~~**"Best Practices" Guidelines** - Issuers and authors shall follow the Mineral Exploration "Best Practices" Guidelines prepared on the recommendation of the TSE OSC Mining Standards Task Force by a committee~~

~~comprised of mining and exploration industry professionals and regulators. These Guidelines were published in June, 2000.~~**Addendums not Permitted - Anytime an issuer is required to file a technical report, that report must be complete and current. Therefore, if an issuer has a technical report previously filed, and is required to file another technical report because it triggered one of the circumstances listed under Part 4 of the Instrument, the issuer must update the outdated sections of the previously filed report and file a new, complete, current technical report if the contents of the previously filed technical report are no longer current. It is not sufficient for the issuer to only file the updated portions. Issuers are reminded that if there has been no change to the content required under Items 6 through 11 of Form 43-101F1 from that disclosed in the previously filed technical report, the Form provides they do not need to repeat that information, provided those items in the previous report are referred to in the new, current technical report.**

The only exceptions are under subsections 4.2 (2) of the Instrument. An issuer may file an addendum if it is for a technical report that originally was filed with a preliminary short form prospectus or preliminary long form prospectus and there is a material change in the information before the issuance of the final receipt. In this case, the addendum must be attached to and filed with the previously filed technical report. They must also be filed with an updated certificate and consent of the qualified person.

4.2 **Filing on SEDAR – If an issuer is required under NI 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* to be an electronic filer, then all technical reports must be prepared so that the issuer can file them on SEDAR. Issuers are reminded that figures required in the technical report must be included in the technical report filed on SEDAR and therefore should be prepared in electronic format.**

The qualified person must date, sign and, if possible, seal the technical report, certificate and consent. If a person's name appears in an electronic document with (signed by) and (sealed) next to the person's name or there is a similar indication in the document, the securities regulatory authorities will consider that the document has been signed and sealed by that person. Although not required, maps and drawings may be signed and sealed in the same manner.

4.3 **Technical Documents Filed with Other Securities Regulatory Authorities or Exchanges - The securities regulatory authority in most CSA jurisdictions require an issuer to file, if not already filed with it, any record or disclosure material that the issuer files with another securities regulatory authority, agency, or body, or exchange, wherever situate. If an issuer must complete such filing, and the record or disclosure material is a technical report but it is not a technical report required by the Instrument, then the exemption provided under section 9.4 of the Instrument permits an issuer to do this without breaching the Instrument. The issuer should file it on SEDAR under the "Other" category, and title the filing "Technical Document".**

PART 5 USE OF INFORMATION

5.1 **Use of Information in Technical Reports -** The Instrument requires that technical reports be prepared and filed with ~~Canadian~~ securities regulatory authorities to support certain disclosure of mineral exploration, development and production activities and results in order to permit the public and analysts to have access to information that will assist them in making investment decisions and recommendations. Persons and companies, including registrants, who wish to make use of information concerning mineral exploration, development and production activities and results including mineral resource and mineral reserve estimates are encouraged to review the technical reports that will be on the public file for the issuer and if they are summarizing or referring to this information they are strongly encouraged to use the applicable mineral resource and mineral reserve categories and terminology found in the technical report.

5.2 **Disclaimers in Technical Reports – Instruction (7) of the Form requires that a technical report shall not contain any disclaimers except for the limited purpose under Item 5 of the Form. Item 5 is only intended to permit a qualified person to insert a disclaimer of responsibility if he or she relied on other experts who are not qualified persons for legal, environmental, political, or other issues relevant to the technical report that are not the qualified person's area of expertise. Therefore, if an issuer retains a qualified person to prepare a technical report that the issuer, intends to file, either immediately or at a later date, as an NI 43-101 technical report, the issuer must ensure that the qualified person does not insert any other disclaimers. The types of disclaimers prohibited includes blanket disclaimers that purport to disclaim responsibility for or reliability on all, or a portion of, the report that the qualified person prepared or create any limitations on the use or publication of the report that would interfere with an issuer's obligation to reproduce the report by filing it on SEDAR.**

The securities regulatory authorities consider blanket disclaimers potentially misleading, particularly in the context of a public offering or take-over bid. Provincial and territorial securities legislation provides investors with a statutory right of action against a qualified person for a misrepresentation contained in a prospectus that is based upon the qualified person's technical report. That right of action exists despite any disclaimer to the contrary that appears in the technical report. In addition, under the provincial and territorial securities legislation, a qualified person can only be liable if they provide their consent to the disclosure. It also provides the qualified person with a due diligence defence for the alleged liability and limits the amount they can be liable for.

Therefore, the issuer should ensure its qualified person understands that the securities regulatory authorities will expect the issuer to have its qualified person remove any blanket or specific disclaimers, other than those permitted by Item 5 of the Form, in a technical report that the issuer uses to support its public offering document.

PART 6 PERSONAL INSPECTION

6.1 **Meaning of Current Personal Inspection - The "current personal inspection" referred to in section 6.2 of the Instrument is the most recent personal inspection of the property, provided that there has been no material change in the property since that site inspection. A personal inspection may constitute a current personal inspection, even if the qualified person who is primarily responsible for preparing or supervising the preparation of the technical report, conducted the personal inspection considerably before the filing date of the technical report, if there has been no material change in the property as at the date of filing.**

6.2 ~~**6.1**~~ ~~**Personal Inspection** - Canadian securities~~**Personal Inspection - Securities** regulatory authorities consider **current** personal inspection particularly important because it enables the qualified person to become familiar with conditions on the property, to observe the geology and mineralization, to verify the work done, and on that basis to design or review and recommend to the issuer an appropriate exploration or development program. **Even for properties with poor exposure a site visit is required. For example, it may be relevant for a qualified person to observe the depth and type of the overburden and cultural effects that could interfere with the results of the geophysics.** It is the responsibility of the issuer to arrange its affairs so that a **current** property inspection can be carried out by a qualified person.

6.3 **Exemption from Personal Inspection Requirement - Section 9.2 of the Instrument exempts an issuer from conducting a personal inspection in very limited circumstances. The exemption applies only where the issuer's mineral project is located on a grassroots exploration property, as defined in the Instrument, provided it complies with all conditions listed in section 9.2 of the Instrument. The exemption recognizes that there may be situations where an issuer is unable to access a grassroots exploration property or obtain beneficial information on it because extreme seasonal weather conditions prevent it from doing so by the time the issuer is required to file a technical report. Examples of such situations would include a grassroots exploration property that is inaccessible because of seasonal flooding or it is completely covered in snow for an extended period of time.**

~~**6.2** **Exemption from Personal Inspection Requirement** - There~~**Other than circumstances permitted by the exemption under section 9.2 of the Instrument, there** may be circumstances in which it is not possible ~~or beneficial~~ for a qualified person to inspect the property. In such instances the qualified person or the issuer should apply in writing to the securities regulatory authority for relief, stating the reasons why a personal inspection is considered impossible~~ or not beneficial~~. It would likely be a condition of any such relief that the technical report state that no inspection was carried out by a qualified person~~ and provide reasons~~**, the reasons why it was not done, and any other conditions the securities regulatory authority may require**.

6.4 ~~**6.3** **Responsibility of the Issuer** - The requirement set out in section 6.2 of the Instrument sets~~**More than One Qualified Person - Section 6.2 of the Instrument requires at least one qualified person who is primarily responsible for preparing or supervising the preparation of the technical report to inspect the property. This is** a minimum standard for personal inspection. ~~The~~**There may be cases in advanced mineral projects where the** issuer should have property inspections conducted by ~~one or~~ more **than one** qualified ~~persons as appropriate~~**person**, taking into account the work being carried out on the property and the technical report being prepared by the qualified person or persons.

For example, for an advanced stage property with mineral resource and mineral reserve estimates, if several qualified persons prepare a different portion of the technical report because of their particular expertise in geology, metallurgy, or mining engineering, then the securities regulatory authorities expect that expertise makes each of them primarily responsible for the preparation of the technical report and each of them relevant for a proper personal inspection of the property.

PART 7 REGULATORY REVIEW

7.1 Review

(1) Disclosure and technical reports filed under the Instrument may be subject to review by ~~Canadian~~ securities regulatory authorities.

(2) ~~An~~**If an** issuer that **is required to file a technical report under the Instrument** files a technical report that does not meet the requirements of the Instrument ~~will~~**, the issuer may** be in breach of securities legislation. The issuer may be required to issue or file corrected disclosure, file a revised technical report or file revised consents, and may be subject to other sanctions.

PROPOSED COMPANION POLICY 43-101CP
TO NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

TABLE OF CONTENTS

PROPOSED COMPANION POLICY 43-101CP
TO NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

This companion policy sets out the views of the Canadian Securities Administrators (the "CSA") as to the manner in which the CSA interprets and applies certain provisions of National Instrument 43-101 and Form 43-101F1 (the "Instrument"), and how the securities regulatory authorities or regulators may exercise their discretion in respect of certain applications for exemption from provisions of the Instrument.

PART 1 APPLICATION AND TERMINOLOGY

1.1 **Supplements Other Requirements –** The Instrument supplements other continuous disclosure requirements of securities legislation that apply to reporting issuers in all business sectors.

1.2 **Evolving Industry Standards and Modifications to the Instrument -** Mining industry practice and professional standards are evolving in Canada and internationally. The securities regulatory authorities will monitor developments in these fields and will solicit and consider recommendations from their staff and external advisers, from time to time, as to whether modifications to the Instrument are appropriate.

1.3 **Application of the Instrument -** The definition of “disclosure” under the Instrument includes oral and written disclosure. The Instrument establishes standards for disclosure of scientific and technical information regarding mineral projects and requires that the disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person. The Instrument does not apply to disclosure concerning petroleum, natural gas, bituminous sands or shales, groundwater or other substances that do not fall within the meaning of the term "mineral resource" in section 1.2 of the Instrument.

1.4 **Mineral Resources and Mineral Reserves Definitions -** The Instrument incorporates by reference the definitions and categories of mineral resources and mineral reserves as set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves Definitions and Guidelines (the "CIM Standards") adopted by the CIM Council on August 20, 2000 as amended, supplemented, or replaced. These definitions, together with guidance on their interpretation and application prepared by the CIM, are reproduced in the Appendix to this Companion Policy. Issuers, qualified persons and other market participants are encouraged to consult the CIM Standards for guidance.

1.5 **Best Practices Guidelines for Mineral Resources and Mineral Reserves** - A qualified person classifying a mineral deposit as a mineral resource or mineral reserves should follow the CIM Estimation of Mineral Resource and Mineral Reserve Best Practices Guidelines (the CIM Resource and Reserve Guidelines) adopted by CIM on November 23, 2003, as amended, supplemented, or replaced. These guidelines are posted on www.cim.org.

For coal, a qualified person classifying coal resources and reserves may follow the guidelines of Paper 88-21 of the Geological Survey of Canada: A Standardized Coal Resource/Reserve Reporting System for Canada, as amended, supplemented or replaced (Paper 88-21). The CSA remind issuers that Paper 88-21 only contemplates a Canadian scheme for reporting and therefore, the CSA believes it is not reasonable to extrapolate this to foreign schemes. For consistency, for all coal reporting, the securities regulatory authority urges all issuers to use the mineral resource and mineral reserve categories set out in the CIM Standards and not the categories set out in Paper 88-21.

1.6 **Best Practices Guidelines for Mineral Exploration -** Issuers and qualified persons should follow the Mineral Exploration "Best Practices" Guidelines adopted by CIM, published in June 2000, as amended, supplemented, or replaced.

Disclosure regarding the reporting of diamond exploration sampling results should conform to the CIM Guidelines for Reporting of Diamond Exploration Results adopted by CIM in March 2003, as amended, supplemented, or replaced.

These guidelines are posted on www.cim.org.

1.7 **Preliminary Assessments -** The term “preliminary assessment”, commonly referred to as a scoping study, is defined in the Instrument. It is a type of study that includes an economic evaluation taken at an early stage of the project prior to a preliminary feasibility study. The CSA consider an economic evaluation to include disclosure of forecast mine production rates that may contain capital costs to develop and sustain the mining operation, operating costs, and projected cash flows. A preliminary assessment must be either in the form of a technical report, or be supported by a technical report.

Although preliminary assessments can provide important information to the market, because of the early stage of the project, the information has a high degree of uncertainty and can be used as the basis for abusive market tactics. An issuer must disclose a preliminary assessment that is a material change in its affairs. In so doing, an issuer may trigger a technical report under subsection 4.2(1) 10. of the Instrument. Also, if the preliminary assessment includes inferred minerals resources an issuer must provide the proximate statement required by subsection 2.3(3)(b) of the Instrument. The purpose of the proximate statement is to alert an investor to the limitations of the information.

1.8 **Objective Standard of Reasonableness -** Issuers should apply an objective standard of reasonableness in making a determination about the definitions or application of a requirement in the Instrument Where a determination turns on reasonableness, the test is an objective, rather than subjective one in that it turns on what a person acting reasonably would conclude. It is not sufficient for an officer of an issuer or a qualified person to determine that he or she personally believes the matter under consideration. The person must form an opinion as to what a reasonable person would believe in the circumstances. Formulating the definitions using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to a person's application of the definition in particular circumstances.

1.9 **Improper Use of Terms in French Language -** An issuer that prepares its disclosure using the French language must ensure that it uses the proper terms when referring to a mineral deposit. In the French language, an issuer must not use the words “gisement” and “gîte” interchangeably. The word “gisement” means a mineral deposit that is a continuous, well-defined mass of material containing a sufficient volume of mineralized material that can be or has been mined legally and economically. The word “gîte” means a mineral deposit that is a continuous, well-defined mass of material containing a sufficient volume of mineralized material that has had no demonstration of economic viability. Therefore, an issuer must use these terms properly so that an investor understands whether the deposit has demonstrated economic viability or not.

PART 2 DISCLOSURE

2.1 **Disclosure is the Responsibility of the Issuer -** Primary responsibility for public disclosure remains with the issuer and its directors and officers. The qualified person is responsible for preparing the technical report and providing scientific and technical advice in accordance with applicable professional standards. The proper use, by or on behalf of the issuer, of the technical report and other scientific and technical information provided by the qualified person is the responsibility of the issuer and its directors and officers. The onus is on the issuer and its directors and officers and, in the case of a document filed with a regulator, each signatory of the document, to ensure that disclosure in the document is consistent with the related technical report or advice. Issuers are strongly urged to have the qualified person review disclosure that summarizes or restates the technical report or the technical advice or opinion to ensure that the disclosure accurately reflects the qualified person's work.

2.2 **Use of Plain Language -** Disclosure made by or on behalf of an issuer regarding mineral projects on properties material to the issuer should be understandable. Issuers should present written disclosure in an easy to read format using clear and unambiguous language. Wherever possible, issuers should present data in table format. The CSA recognize that the technical report does not lend itself well to "plain language" and therefore urge issuers to consult the responsible qualified person when restating the data and conclusions from a technical report in plain language in its public disclosure.

2.3 **Prohibited Disclosure**

(1) Paragraph 2.2(c) of the Instrument prohibits the addition of inferred mineral resources to the other categories of mineral resources. Issuers are cautioned not to show a sum of mineral resources, or to refer to an aggregate number of mineral resources that includes inferred mineral resources.

(2) Paragraph 2.3(1) of the Instrument prohibits the disclosure of a target of further exploration that has not been categorized as required. It also prohibits the disclosure of an economic evaluation, including a preliminary assessment, preliminary feasibility study, and a feasibility study, that includes inferred resources. However, pursuant to subsection 2.3(2) and 2.3(3), these prohibitions are excepted if the disclosure is accompanied by the required proximate statements in those sections and is based on information prepared by or under the supervision of a qualified person.

2.4 **Materiality**

(1) Materiality should be determined in the context of the particular issuer's overall business and financial condition taking into account quantitative and qualitative factors. Materiality is a matter of judgment to be

made in light of the particular circumstances, taking into account both qualitative and quantitative factors, assessed in respect of the issuer as a whole.

(2) In assessing materiality, issuers should refer to the definition of "material fact" in securities legislation, which in most jurisdictions means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities of the issuer. In making materiality judgements, issuers should take into account a number of factors that cannot be captured in a simple bright-line standard or test. An issuer must consider the effect on both the market price and value of the issuer's securities in light of the current market activity. Therefore, an assessment of materiality depends on the context. Information that is immaterial today may be material for tomorrow. An item of information that is immaterial alone may be material if it part of an aggregate of items.

(3) For example, materiality of a property should be assessed in light of the extent of the interest in the property held, or to be acquired, by the issuer. A small interest in a sizeable property may, in the circumstances, not be material to the issuer. Property to be acquired by the issuer may, in certain circumstances, be material to the issuer.

(4) For another example, in assessing whether interests represented by multiple claims or other documents of title constitute a single property for the purpose of the Instrument, issuers should consider that several non-material properties in a contiguous cluster may be material to the issuer, as a whole.

(5) For another example, when disclosing results of a drilling program the results from a single hole may not be material in itself. However, the results of several holes, in aggregate, could be material to the issuer.

2.5 Material Information not yet Confirmed by a Qualified Person - Issuers are reminded that they have an obligation under provincial and territorial securities legislation to disclose material facts and to make timely disclosure of material changes. The securities regulatory authorities recognize that there may be circumstances in which the issuer expects that certain information concerning a mineral project may be material notwithstanding the fact that a qualified person has not prepared or supervised the preparation of the information. In this situation the securities regulatory authorities suggest that issuers file a confidential material change report concerning this information while a qualified person reviews the situation. Once a qualified person has confirmed the information, the issuer should issue a news release and the basis of confidentiality will end. Issuers are also reminded that during the period of confidentiality, prohibitions against tipping and trading by persons in a special relationship to the issuer apply until the information is fully disclosed to the public. Issuers should also refer to National Policy 51-201 *Disclosure Standards* for further guidance about timely disclosure obligations.

2.6 Exception for Disclosure Previously Filed - Section 3.5 of the Instrument provides that the disclosure requirement of sections 3.2, 3.3, and 3.4 of the Instrument may be satisfied by referring to a previously filed document that includes the required disclosure. Issuers relying on this exception are reminded that all disclosure should provide sufficient information to permit market participants to make informed investment decisions and should not present or omit information in a manner that is misleading.

2.7 Meaning of Current Technical Report - The "current technical report" referred to in sections 4.2 and 4.3 of the Instrument is a technical report that contains all information required under the Form 43-101F1 in respect of the subject property as at the date on which the technical report is filed. A technical report may constitute a current technical report, even if prepared considerably before the filing date, if the information in the technical report remains accurate and does not omit materially new information as at the date of filing.

2.8 Exceptions from Requirement to File Technical Report with Annual Information Form, Annual MD&A, Annual Report and Preliminary Short Form Prospectus if Information Previously Disclosed – The Instrument contains relief from the technical report filing requirement in certain instances. If an issuer has disclosed scientific and technical information on a mineral property in an annual information form, prospectus, or material change report the issuer will not be required to prepare and file a technical report with the issuer's annual information form, annual MD&A, annual report, or preliminary short form prospectus unless the disclosure contains new and material scientific and technical information about that mineral property.

2.9 Use of Historical Estimates

(1) Under section 2.4 of the Instrument, when an issuer options or agrees to buy a property, the issuer can disclose an estimate of resources and reserves made before February 1, 2001 using the old terminology of the estimate provided the issuer complies with the conditions set out in that section. An issuer will trigger the filing of a current technical report if it makes disclosure of the historical estimate as if it is a

current estimate. Therefore, issuers should refer to the following guidance for reporting historical estimates.

(2) The announcement of the acquisition and the historical estimate will not trigger the requirement to file a technical report under subsection 4.2(1) 10. of the Instrument if the issuer's disclosure states that the estimates are not current and the issuer has disclosed the estimate as a historical resource or reserve. The disclosure must also include the following cautionary statements:

- the issuer has not done the work necessary to verify the classification of the resource or reserve,
- the issuer is not treating them as a National Instrument 43-101 defined resource or reserve verified by a qualified person, and
- the historical estimate should not be relied upon.

(3) If the issuer's disclosure shows that the issuer is treating the historical estimate as a current resource and reserve, for example, by using the definitions under the Instrument and stating the issuer will be adding on or building on that resource or reserve base, then the issuer is required to file a current technical report on the property within 30 days of the issuer's disclosure if

i. the property, or interest in the property, is material to the issuer, and

ii. the acquisition of the resources and reserves is a material change in the affairs of the issuer.

This 30-day period is set out under section 4.2(4) of the Instrument.

(4) In most cases, this 30-day period will not begin to run until the issuer enters into a formal purchase or option agreement, which should allow the issuer time to complete its due diligence and have the technical report prepared. If the issuer, at the time of the disclosure, has not signed a formal agreement, but is conducting its day to day operations in reliance on the terms of a letter of intent or memorandum of understanding, then the 30-day period will begin to run from the time the issuer first discloses the historical estimate as a resource or reserve without the three cautionary statements set out in paragraph (2) above.

(5) If the agreement is subject to conditions such as the approval of a third party or the completion of a 60-day due diligence review, the technical report is still required to be filed within 30 days after the issuer enters into the agreement. However, the issuer may apply for relief to extend the 30-day period. Whether or not the securities regulators will grant such relief depends on the circumstances.

2.10 **Use of Other Foreign Codes –** Issuers are prohibited from using foreign codes other than those permitted under Part 7 of the Instrument. Therefore, if an issuer announces an acquisition or proposed acquisition of a property that contains estimates of tonnes and grade that are not historical (ie. they were not categorized before February 1, 2001) and are not according to the CIM Standards or the alternative codes under Part 7, then the issuer may apply for an exemption under section 9.1 to permit that issuer to disclose that foreign estimate as is, and if applicable, an extension of time for filing a technical report to support the disclosure. If granted, the relief would likely include the conditions set out under section 2.4 (a) to (e) of the Instrument.

Issuers are reminded that they have an obligation under provincial and territorial securities legislation to disclose material facts and to make timely disclosure of material changes. Therefore, the issuer should arrange its affairs in advance to comply with those requirements and the requirements in the Instrument if it is considering the acquisition of a foreign property and wishes to disclose estimates using foreign codes not permitted under the Instrument (ie. the Russian or Chinese codes). Issuers that have difficulty doing this should consider filing a confidential material change report and maintain a period of confidentiality until they obtain an exemption or convert the estimates and disclose them in accordance with the Instrument. Issuers should also refer to section 2.5 of this Companion Policy for further guidance about timely disclosure obligations.

Issuer may also consider disclosing the quantity and grade of mineralization of a possible mineral deposit as a range with the proximate statements set out under section 2.3(2) of the Instrument.

PART 3 AUTHOR OF THE TECHNICAL REPORT

3.1 **Selection of Qualified Person -** It is the responsibility of the issuer and its directors and officers to appoint a qualified person who meets the criteria listed under the definition in the Instrument of qualified person, including having the relevant experience and competence for the subject matter of the technical report.

3.2 **Assistance of non-Qualified Persons -** A person who is not a qualified person may work on a project. If a qualified person relies on the work of a person who is not a qualified person to prepare a technical report or to provide information or advice to the issuer, it is up to the qualified person to take whatever steps are appropriate, in his or her professional judgement, to ensure that the information that he or she relies upon is sound. A qualified person is required to visit the site and cannot delegate the personal inspection requirement.

3.3 **More than One Qualified Person -** Section 2.1 of the Instrument requires that all disclosure be based upon a technical report or other information prepared by or under the supervision of a qualified person. Section 5.1 of the Instrument provides that a technical report must be prepared by or under the supervision of one or more qualified persons. Several qualified persons may author different portions of the report. In that case, each of them must provide a certificate and consent required under Part 8 of the Instrument. Each qualified person who is primarily responsible for preparing or supervising the preparation of the technical report must sign it.

When one or more qualified persons prepare a technical report that includes a mineral resource or mineral reserve estimate prepared by another qualified person for a previously filed technical report, one of the qualified person's preparing the new technical report must take responsibility for those estimates repeated in the new technical report. In doing this, that qualified person should make whatever investigations are necessary to reasonably rely on that information.

3.4 Exemption from Qualified Person Requirement

(1) The securities regulatory authorities recognize that certain individuals who currently provide technical expertise to issuers will not be considered qualified persons for purposes of the Instrument. These individuals may have the necessary experience and expertise and the other criteria required under the definition in the Instrument of qualified person. Application can be made by an issuer under section 9.1 of the Instrument for an exemption from the requirement for involvement of a qualified person and the acceptance of another person. The application should demonstrate the person's experience, competence and qualification to prepare the technical report or other information in support of the disclosure despite the fact that he or she does not meet the requirements set out in the definition in the Instrument of qualified person.

(2) Requests for exemption from the requirement that the qualified person belong to a professional association will rarely be granted. Where an issuer wishes to retain a person who is well qualified and who does not belong to a professional association because no association exists in his or her jurisdiction or because it is not common practice for members of his or her profession to be registered in the jurisdiction, securities regulatory authorities will consider granting an exemption. However, if there is any other qualified person known to the issuer who has been to the site and is able to co-author the report, then an exemption will not likely be granted. Also, the securities regulatory authorities will generally not grant relief to an issuer that has a qualified person in its management positions, as such qualified persons should take responsibility for the issuer's scientific and technical disclosure on its mineral projects.

(3) In the event an exemption is granted, if the person wishes to continue to provide services either to the same issuer or to another issuer that makes public disclosure in Canada, then the person will be urged to join a professional association, as the securities regulatory authority or regulator will not likely grant continued relief.

3.5 Independence of Qualified Person

(1) Section 1.4 of the Instrument provides the test an issuer and a qualified person should apply to determine whether a qualified person is considered to be independent of the issuer. The test should be applied like this: if a reasonable person would consider the existence of any relationship described in section 1.4 of the Instrument would influence the qualified person's judgement, then the qualified person is probably not independent. If the issuer applies for relief, the securities regulatory authorities may consider granting an exemption under section 9.1 of the Instrument if the issuer demonstrates why the involvement of an independent qualified person does not need to be preserved in a particular circumstance.

Applying this test, the following are examples of when CSA staff would consider a qualified person not to be independent. These examples are not a complete list of non-independence situations. When an independent qualified person is required, an issuer must always apply the above test to confirm that the requirement is met.

A qualified person is not independent when the qualified person:

(a) is an employee, insider, or director of the issuer,

(b) is an employee, insider, or director of a related party of the issuer,

(c) is a partner of any person or company in paragraph (a) or (b),

(d) holds or expects to hold securities, either directly or indirectly, of the issuer or a related party of the issuer,

(e) holds or expects to hold securities, either directly or indirectly, in another issuer that possesses an interest in the property that is the subject of the technical report,

(f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property or a property contiguous to the property that is the subject of the technical report,

(g) holds or expects to hold securities, either directly or indirectly, in an issuer that has a direct or indirect interest in a property contiguous to the property that is the subject of the technical report,

(h) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the issuer or a related party of the issuer, and

(i) has received cash or securities of the issuer for past work done for the issuer under an understanding that the qualified person has a non-monetary debt to repay to the issuer for any future work for the issuer.

For the purpose of the above, “related party of the issuer” means an affiliate, associate, subsidiary, or control person of the issuer as those terms are defined under provincial and territorial securities legislation.

For the purpose of the above, there may some instances where, if a qualified person holds a very small number of an issuer’s total issued securities or does not directly or indirectly control the trading of the securities, it would be reasonable to consider the qualified person’s independence would not be compromised.

(2) There may be circumstances in which the staff at the securities regulatory authorities question the objectivity of the author of the technical report. In order to ensure the requirement for independence of the qualified person has been preserved, the issuer may be asked to provide further information, additional disclosure or the opinion of another qualified person to address concerns about possible bias or partiality on the part of the original author.

(3) As in paragraph 3.2 above, provided that the independent qualified person has taken whatever steps are appropriate, in his or her professional judgment, to ensure that the information he or she relies on is sound, and takes responsibility for that information, the independent qualified person may rely on work done and information provided by others, including other non-independent qualified persons. However, the independent qualified person must visit the site and cannot delegate the personal inspection requirement.

PART 4 PREPARATION OF TECHNICAL REPORT

4.1 Addendums not Permitted - Anytime an issuer is required to file a technical report, that report must be complete and current. Therefore, if an issuer has a technical report previously filed, and is required to file another technical report because it triggered one of the circumstances listed under Part 4 of the Instrument, the issuer must update the outdated sections of the previously filed report and file a new, complete, current technical report if the contents of the previously filed technical report are no longer current. **It is not sufficient for the issuer to only file the updated portions.** Issuers are reminded that if there has been no change to the content required under Items 6 through 11 of Form 43-101F1 from that disclosed in the previously filed technical report, the Form provides they do

not need to repeat that information, provided those items in the previous report are referred to in the new, current technical report.

The only exceptions are under subsections 4.2 (2) of the Instrument. An issuer may file an addendum if it is for a technical report that originally was filed with a preliminary short form prospectus or preliminary long form prospectus and there is a material change in the information before the issuance of the final receipt. In this case, the addendum must be attached to and filed with the previously filed technical report. They must also be filed with an updated certificate and consent of the qualified person.

4.2 **Filing on SEDAR –** If an issuer is required under NI 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* to be an electronic filer, then all technical reports must be prepared so that the issuer can file them on SEDAR. Issuers are reminded that figures required in the technical report must be included in the technical report filed on SEDAR and therefore should be prepared in electronic format.

The qualified person must date, sign and, if possible, seal the technical report, certificate and consent. If a person's name appears in an electronic document with (signed by) and (sealed) next to the person's name or there is a similar indication in the document, the securities regulatory authorities will consider that the document has been signed and sealed by that person. Although not required, maps and drawings may be signed and sealed in the same manner.

4.3 **Technical Documents Filed with Other Securities Regulatory Authorities or Exchanges -** The securities regulatory authority in most CSA jurisdictions require an issuer to file, if not already filed with it, any record or disclosure material that the issuer files with another securities regulatory authority, agency, or body, or exchange, wherever situate. If an issuer must complete such filing, and the record or disclosure material is a technical report but it is not a technical report required by the Instrument, then the exemption provided under section 9.4 of the Instrument permits an issuer to do this without breaching the Instrument. The issuer should file it on SEDAR under the "Other" category, and title the filing "Technical Document".

PART 5 USE OF INFORMATION

5.1 **Use of Information in Technical Reports -** The Instrument requires that technical reports be prepared and filed with securities regulatory authorities to support certain disclosure of mineral exploration, development and production activities and results in order to permit the public and analysts to have access to information that will assist them in making investment decisions and recommendations. Persons and companies, including registrants, who wish to make use of information concerning mineral exploration, development and production activities and results including mineral resource and mineral reserve estimates are encouraged to review the technical reports that will be on the public file for the issuer and if they are summarizing or referring to this information they are strongly encouraged to use the applicable mineral resource and mineral reserve categories and terminology found in the technical report.

5.2 **Disclaimers in Technical Reports –** Instruction (7) of the Form requires that a technical report shall not contain any disclaimers except for the limited purpose under Item 5 of the Form. Item 5 is only intended to permit a qualified person to insert a disclaimer of responsibility if he or she relied on other experts who are not qualified persons for legal, environmental, political, or other issues relevant to the technical report that are not the qualified person's area of expertise. Therefore, if an issuer retains a qualified person to prepare a technical report that the issuer, intends to file, either immediately or at a later date, as an NI 43-101 technical report, the issuer must ensure that the qualified person does not insert any other disclaimers. The types of disclaimers prohibited includes blanket disclaimers that purport to disclaim responsibility for or reliability on all, or a portion of, the report that the qualified person prepared or create any limitations on the use or publication of the report that would interfere with an issuer's obligation to reproduce the report by filing it on SEDAR.

The securities regulatory authorities consider blanket disclaimers potentially misleading, particularly in the context of a public offering or take-over bid. Provincial and territorial securities legislation provides investors with a statutory right of action against a qualified person for a misrepresentation contained in a prospectus that is based upon the qualified person's technical report. That right of action exists despite any disclaimer to the contrary that appears in the technical report. In addition, under the provincial and territorial securities legislation, a qualified person can only be liable if they provide their consent to the disclosure. It also provides the qualified person with a due diligence defence for the alleged liability and limits the amount they can be liable for.

Therefore, the issuer should ensure its qualified person understands that the securities regulatory authorities will expect the issuer to have its qualified person remove any blanket or specific disclaimers, other than those permitted by Item 5 of the Form, in a technical report that the issuer uses to support its public offering document.

PART 6 PERSONAL INSPECTION

6.1 **Meaning of Current Personal Inspection -** The "current personal inspection" referred to in section 6.2 of the Instrument is the most recent personal inspection of the property, provided that there has been no material change in the property since that site inspection. A personal inspection may constitute a current personal inspection, even if the qualified person who is primarily responsible for preparing or supervising the preparation of the technical report, conducted the personal inspection considerably before the filing date of the technical report, if there has been no material change in the property as at the date of filing.

6.2 **Personal Inspection -** Securities regulatory authorities consider current personal inspection particularly important because it enables the qualified person to become familiar with conditions on the property, to observe the geology and mineralization, to verify the work done, and on that basis to design or review and recommend to the issuer an appropriate exploration or development program. Even for properties with poor exposure a site visit is required. For example, it may be relevant for a qualified person to observe the depth and type of the overburden and cultural effects that could interfere with the results of the geophysics. **It is the responsibility of the issuer to arrange its affairs so that a current property inspection can be carried out by a qualified person.**

6.3 **Exemption from Personal Inspection Requirement -** Section 9.2 of the Instrument exempts an issuer from conducting a personal inspection in very limited circumstances. The exemption applies only where the issuer's mineral project is located on a grassroots exploration property, as defined in the Instrument, provided it complies with all conditions listed in section 9.2 of the Instrument. The exemption recognizes that there may be situations where an issuer is unable to access a grassroots exploration property or obtain beneficial information on it because extreme seasonal weather conditions prevent it from doing so by the time the issuer is required to file a technical report. Examples of such situations would include a grassroots exploration property that is inaccessible because of seasonal flooding or it is completely covered in snow for an extended period of time.

Other than circumstances permitted by the exemption under section 9.2 of the Instrument, there may be circumstances in which it is not possible for a qualified person to inspect the property. In such instances the qualified person or the issuer should apply in writing to the securities regulatory authority for relief, stating the reasons why a personal inspection is considered impossible. It would likely be a condition of any such relief that the technical report state that no inspection was carried out by a qualified person, the reasons why it was not done, and any other conditions the securities regulatory authority may require.

6.4 **More than One Qualified Person -** Section 6.2 of the Instrument requires at least one qualified person who is primarily responsible for preparing or supervising the preparation of the technical report to inspect the property. This is a minimum standard for personal inspection. There may be cases in advanced mineral projects where the issuer should have property inspections conducted by more than one qualified person, taking into account the work being carried out on the property and the technical report being prepared by the qualified person or persons.

For example, for an advanced stage property with mineral resource and mineral reserve estimates, if several qualified persons prepare a different portion of the technical report because of their particular expertise in geology, metallurgy, or mining engineering, then the securities regulatory authorities expect that expertise makes each of them primarily responsible for the preparation of the technical report and each of them relevant for a proper personal inspection of the property.

PART 7 REGULATORY REVIEW

7.1 **Review**

(1) Disclosure and technical reports filed under the Instrument may be subject to review by securities regulatory authorities.

(2) If an issuer that is required to file a technical report under the Instrument files a technical report that does not meet the requirements of the Instrument, the issuer may be in breach of securities legislation. The issuer may be required to issue or file corrected disclosure, file a revised technical report or file revised consents, and may be subject to other sanctions.

6.1.3 Request for Comment on Changes to Proposed OSC Rule 48-501 - Trading During Distributions, Formal Bids and Share Exchange Transactions (2nd Publication) and Proposed Companion Policy 48-501CP to OSC Rule 48-501 and Proposed Rescission of OSC Policy 5.1, Paragraph 26 and OSC Policy 62-601 – Securities Exchange Take-Over Bids – Trades in the Offeror's Securities

REQUEST FOR COMMENT

CHANGES TO PROPOSED OSC RULE 48-501 - TRADING DURING DISTRIBUTIONS, FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS (2ND PUBLICATION)

AND

PROPOSED COMPANION POLICY 48-501CP TO OSC RULE 48-501

AND

PROPOSED RESCISSION OF ONTARIO SECURITIES COMMISSION POLICY 5.1, PARAGRAPH 26 AND ONTARIO SECURITIES COMMISSION POLICY 62-601 – SECURITIES EXCHANGE TAKE-OVER BIDS – TRADES IN THE OFFEROR'S SECURITIES

Introduction

On August 29, 2003, the Ontario Securities Commission (Commission) published for comment at (2003) 26 OSCB 6157 proposed Ontario Securities Commission Rule 48-501 – *Trading during Distributions, Formal Bids and Share Exchange Transactions* (rule). In the notice published with the rule (together, the 2003 materials), the Commission sought comment on all aspects of the rule and solicited comment on seven specific issues.

Concurrently, Market Regulation Services Inc. (RS) is in the process of revising certain provisions of the Universal Market Integrity Rules (UMIR): Rule 7.7 (Restrictions on Trading by Participants During a Distribution) and Rule 7.8 (Restrictions on Trading During a Securities Exchange Take-over Bid) (together, the UMIR amendments). The intention of the Commission and RS is to ensure consistency between the rule and the UMIR provisions. The UMIR amendments were published for comment on August 29, 2003 at (2003) 26 OSCB 6231 (UMIR 2003 materials) and are being republished for comment in Chapter 13 of this issue of the Bulletin.

The Commission received submissions on the 2003 draft of the rule from 14 commenters. In the interests of making industry aware of the rule and encouraging comments to be made, Commission staff and RS staff held consultations with groups from the Investment Dealers Association of Canada (IDA) and information sessions to which industry participants were invited. As a result of the comments received and further consideration by the Commission, we have made certain revisions to the rule and have prepared proposed Companion Policy 48-501CP (CP). The rule is being republished with the CP (together, the 2004 materials) for a comment period of 60 days.

Generally the comments received were applicable to the UMIR amendments as well as the rule. A joint summary of the comments has been prepared, together with the Commission's and RS' responses to the comments, and is contained in Appendix A to this notice.

Substance and purpose of rule

The rule governs the activities of dealers, issuers and others in connection with a distribution of securities, a securities exchange take-over bid, an issuer bid or an amalgamation, arrangement, capital reorganization or similar transaction. The rule is intended to prescribe what is acceptable activity and otherwise restricts trading activities to preclude manipulative conduct by persons with an interest in the outcome of a distribution of securities or the other transactions set out above.

Harmonization with Regulation M

One of the key purposes of the reformulation of the rule is to harmonize to the extent possible, with the United States Securities and Exchange Commission's Regulation M (Reg M) as well as the UMIR amendments. We requested specific comment on certain issues in the 2003 materials including whether there should be multiple restricted periods depending on the size of the issuer, similar to Reg M, the different exemptions available to issuers in Reg M and whether there should be an exemption allowing a dealer-restricted person to cover short positions entered into during the restricted period and if so, whether any conditions such as those in Reg M would be appropriate. While the commenters expressed a desire to have harmonization, in some cases, such as the different restricted periods, commenters preferred the original approach of a single restricted period which they felt was more appropriate to Canada.

Summary of Changes

The following is a summary of the substantive changes made to the rule published in the 2003 materials and a discussion of the reasons for the changes.

Part 1 – Definitions

"connected security" and "offered security"

The Commission's jurisdiction extends to all securities and, accordingly, the references to "listed security" and "quoted security" have been deleted from the definition of connected security and offered security and replaced by reference to "security" to reflect this. (The definition of those terms used in UMIR will remain unchanged as the jurisdiction of RS covers marketplaces only.)

"dealer-restricted person" - scope of definition

The Commission received considerable comment regarding the breadth of the previous proposed definition of dealer-restricted person. The commenters expressed concern that the inclusion of "related entities" of a dealer-restricted person was too sweeping. A number of commenters also reported that the costs of monitoring and ensuring that appropriate compliance systems are in place as required by the previous rule in the 2003 materials would be substantial.

The Commission agrees that the scope of the definition of dealer-restricted person should include only those persons or companies with a direct interest in the outcome of a distribution or transaction. The definition of "dealer-restricted person" has been amended to exclude related entities of a dealer and certain departments or divisions of the dealer, provided the dealer has in place policies and procedures that restrict the flow of information between the dealer and those entities. In the interests of harmonizing with Reg M, the definition of "dealer-restricted person" has been amended in the rule to provide for independence criteria that are are similar to those in Reg M.

"dealer-restricted person" - addition of "agent"

RS had specifically requested comment in their notice published with the UMIR 2003 materials regarding whether it would be appropriate to restrict stabilization activities where the dealer was acting as an agent in a significant private placement or a significant public offering and, if so, what would be appropriate thresholds.

Although the agent is not obligated to take the offering there is still the incentive to manipulate for the purpose of ensuring the success of the offering to compensate for the dealer's time and effort. The Commission has decided to expand the definition of "dealer-restricted person" by including agents in significant public offerings and private placements. In the Commission's view, an offering is significant where the public distribution is more than 10% of the issued and outstanding offered securities.

"highly-liquid security"

The proposed definition of highly-liquid security is based on the average number of trades per day and the average trading value per day. The Commission had specifically requested comment on whether the rule should include a test based on the size of public float, similar to Reg M, rather than the number of trades and whether this information or that in the proposed definition (i.e. the number of trades per day) would be difficult to obtain or calculate on a consistent basis.

Some commenters also suggested that one entity should develop and maintain the list of highly-liquid securities. RS has agreed to maintain this list. As such, the Commission determined that the practicalities of using the public float test or the number of trades per day will not pose a problem for market participants. The Commission has decided to retain the number of trades per day test as this is more reflective of liquidity in our markets.

restricted periods - commencement of the dealer-restricted period

The Commission received comment regarding the commencement of the dealer-restricted period. Commenters noted that the restricted periods, for transactions other than distributions, in clauses (b) and (c) of these definitions commence with the public announcement of the transaction. However, in Reg M the restricted period begins on the day that the exchange offer or proxy solicitation materials are disseminated to security holders.

The Commission has considered this difference and varied the rule to reflect that the restricted periods will begin on the date of the circular. It is expected that in most cases the date of the circular will be very close to Reg M's date of dissemination of exchange offer or proxy solicitation materials. The Commission is of the view that the date of the circular is a more precise and easily determinable date.

restricted periods - termination of dealer-restricted and issuer-restricted periods

The Commission had requested comment on whether the determination of the end of the restricted periods was sufficiently clear as proposed in the rule. All commenters on this issue sought clarity with respect to when the restricted periods ended. A number of commenters recommended adoption of the additional provisions in the UMIRs interpreting the termination of the restricted period. The Commission has added an additional provision, similar to the provision in the UMIR amendments, interpreting, for the purpose of determining the end of the restricted periods, when the selling process will be considered to end.

"public distribution"

The previous rule in the 2003 materials contained reference to special warrants. However, as a distribution of special warrants is an offering by way of a private placement, we have removed the specific references to special warrants and consider them to be included within any reference to private placements.

Part 3 – Permitted Activities and Exemptions

Market Stabilization and Market Balancing Exemption

The exemption in clause 3.1(1)(a) has been revised to specifically provide an exemption for market stabilization or market balancing activities. The clause would allow:

> "a bid for or a purchase of a restricted security for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security..."

Further discussion on market stabilization and market balancing has been included in the CP.

Short Position Exemption

The rule contained an exemption permitting a dealer-restricted person to cover a short position entered into prior to the dealer-restricted period subject to a maximum price of the lesser of the maximum permitted stabilization price or the highest independent bid. However, the rule did not contemplate that dealer-restricted persons be able to cover short positions entered into during the restricted period. The Commission specifically requested comment on whether there should be an exemption allowing a dealer-restricted person to cover short positions entered into during the restricted period and, if so, whether any conditions, such as those in Reg M, would be appropriate.

The Commission decided to remove the short position exemption from being tied to the 'market stabilization' exemption and instead, make it a separate exemption. In effect, for a short position entered into before the restricted period commenced there would be no price limit. A short position entered into during the restricted period, may covered by a purchase made in accordance with market stabilization exemption.

Interlisted Arbitrage

In response to the Commission's request for submissions on whether any other exemptions should be included in the rule, comment was receive that there should be an exemption for interlisted arbitrage activities. RS will be incorporating the exemption into the UMIR amendments

Part 4 – Research Reports

The Commission requested comment on whether or not research activities should be specifically permitted during the restricted period and, if so, whether the proposed exemptions were sufficient and whether the conditions applicable to the use of the exemptions were appropriate.

Upon considering the comments and the potential for conflict, the Commission has decided not to allow single issuer reports to be issued as previously contemplated in section 4.2. However, the Commission will allow compilation reports to be issued that meet certain criteria as proposed in section 4.1. The conditions originally proposed paralleled those referred to in Reg M. The Commission has removed the requirement in clause (d) that had been previously proposed in section 4.1. Clause (d) provided that research could only be disseminated if in addition to meeting the first three conditions, the dealer-restricted person had made a recommendation as favourable or more favourable in the last publication of the report. Several submissions were received that "constrained ratings" would be of limited use and potentially misleading. The Commission is of the view that the three remaining conditions impose sufficient discipline on the compilation report.

Specific requests for comment

The blacklined version of the rule shows changes made to the original proposal. We are seeking comment on all aspects of the changes to the rule. We also request specific comment on the matters identified below.

1. Definition of "dealer-restricted person" – carve out for related parties

The definition of "dealer-restricted person" has been amended to exclude related entities of a dealer and certain departments or divisions of a dealer provided certain conditions are met including that the dealer has in place policies and procedures that restrict the flow of information between the dealer and its related entities. In the interests of harmonizing with Reg M, the definition of "dealer-restricted person" has been amended in the rule to provide for independence criteria that are similar to those in Reg M. The provision contained in subclause (i) of the definition of dealer-restricted person in the rule provides as follows:

(i) the dealer

(A) maintains and enforces written policies and procedures reasonably designed to prevent the flow of information regarding any public distribution or transaction referred to in clause (a) to or from the related entity, department or division,

(B) obtains an annual assessment of the operation of such policies and procedures,

(ii) the dealer has no officers or employees that solicit orders or recommend transactions in securities in common with the related entity, department or division, and

(iii) the related entity, department or division does not during the dealer-restricted period in connection with the restricted security,

(A) act as a market maker (other than to meet its obligations under the rules of a recognized exchange),

(B) solicit orders from clients, or

(C) engage in proprietary trading,

Recognising that Canadian markets may differ from the U.S. market and that the rule addresses formal bids and other transactions that Reg M does not, we request comment on whether it is appropriate to adopt these conditions in their current form.

3. Definition of "dealer-restricted person" – addition of agents

The definition of "dealer-restricted person" has been amended to include dealers acting on an agency basis in significant public offerings and private placements. The threshold for significant offerings in the rule is where the securities being offered pursuant to the public distribution is more than 10% of the issued and outstanding offered securities.

We request comment on whether the inclusion of a dealer acting on an agency basis in significant public offerings significant private placements is appropriate and whether the threshold of 10% of the issued and outstanding offered securities is an appropriate level to determine whether an offering is significant.

3. Commencement of "dealer-restricted period"

For formal bids, the "dealer-restricted period' has been amended to commence on the date of the take-over bid or issuer-bid circular or similar document (materials). This date was chosen because, unlike the Reg M date of dissemination of the materials, it would be easier to determine.

We request comment on whether the date of the materials is preferable to the date of dissemination of the materials for establishing the commencement of the restricted period.

4. Market Stabilization and Market Balancing Activities

The exemption in clause 3.1(1)(a) of the rule has revised to specifically provide an exemption for market stabilization and market balancing activities. The concept of market stabilization and balancing is also discussed in the proposed CP.

We request comment on whether the changes to the exemption are appropriate and whether the explanatory discussion in the CP is helpful.

Comments

You are asked to provide your comments in writing and to send them on or before **November 9, 2004** to:

John Stevenson, Secretary to the Commission
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8

We request that you submit a diskette containing your submission. As the Act requires that a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

If you have questions, please contact:

Winfield Liu
Senior Legal Counsel, Market Regulation
(416) 593-8250
wliu@osc.gov.on.ca

Katharine A. Evans
Legal Counsel, Market Regulation
(416) 593-8052
kevans@osc.gov.on.ca

Cindy Petlock
Manager, Market Regulation
(416) 593-2351
cpetlock@osc.gov.on.ca

Text of the Rule and Companion Policy

The text of the rule and the CP follows. Also included is a blacklined version of the rule showing changes from the rule published with the 2003 materials.

APPENDIX A

PROPOSED OSC RULE 48-501 AND AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES

Joint Summary of Comments and Responses

On August 29, 2003, the OSC published for comment the proposed OSC Rule and RS published the Original Proposal with respect to proposed amendments to UMIR. Comments received by the OSC in respect of the proposed OSC Rule were generally addressed to RS and the amendments to UMIR as well. Accordingly, a Joint Summary of Comments and Responses has been prepared reflecting the responses of the OSC and RS. The OSC and RS received comments from the following persons:

BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Fasken Martineau DuMoulin LLP
Investment Dealers Association of Canada
National Bank Financial
Ogilvy Renault
Osler Hoskin & Harcourt LLP
Scotia Capital Inc.
TD Securities Inc.
Torys LLP
Torys LLP on behalf of certain investment managers
TSX Group Inc.
UBS Securities Canada Inc.

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
General Comments			
1.	Consistency between rules	One commenter stated that there should be absolute consistency between the rule and the UMIR amendments both in terms of their substantive application and in the use of terminology. There should also be the utmost uniformity between these rules and Reg. M.	The Commission and RS are attempting to achieve the greatest degree of harmonisation between the rule and the UMIR amendments. However, there are several reasons for differences between the rules: while RS has jurisdiction over dealers that trade in marketplaces to which RS provides regulation services, the Commission's jurisdiction extends to all market participants including issuers and selling securityholders and their associates and affiliates. The Commission also has jurisdiction over all securities, whereas, RS's jurisdiction is restricted to listed and quoted securities. There are also differences that arise as a result of differences in defined terms and drafting conventions for provisions of UMIR and Commission rules. Further, there are certain exemptions contained in the UMIR amendments, such as those relating to basket trades and rebalancing of portfolios which are only intended for use by dealers subject to UMIR and hence are not included in the rule. The Commission and RS are cognizant of the benefits of ensuring as much harmonisation with Reg. M as possible. Differences may exist as a result of feedback from participants, as for example, the decision not to adopt the three tiered approach to the commencement of the restricted period.

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
Definitions			
2.	"acting jointly or in concert" definitions of "dealer-restricted person" and "issuer-restricted person" 48-501 s.1.1 UMIR s.1.1	Two commenters suggested that it would be useful to have further clarification of what is meant by "acting jointly and in concert".	Commentary has been included in the proposed Companion Policy 48-501 CP (CP) as to what is meant by "acting jointly and in concert".
3.	"basket trade" UMIR s.1.1	Two commenters suggested that the proposed definition of "basket trade" is too restrictive and that the requirements for a "basket trade" include fewer securities, baskets with a greater proportion of one security, and baskets of securities which substantially represent a recognized index.	The UMIR amendment definition of "basket trade" will be amended to indicate that such a trade will include the simultaneous purchase of at least 10 listed or quoted securities provided that the restricted security comprises not more than 20% of the total value of the transaction or the simultaneous purchase of a basket of securities which represent a recognized index.
4.	"connected security" 48-501 s.1.1 UMIR s.1.1	One comment made in respect of clause (a) of the definition of "connected security" was that the wording should refer to "a listed or quoted security which is immediately convertible, exchangeable or exercisable into the offered security...". A comment was also made that the phrase "may significantly determine the value of the offered security" in clause (b) of the definition is vague. Another commenter recommended that an exclusion be built into paragraph (b) when the price at which the security is being offered was greater than 110% of the best ask price of the underlying listed or quoted security at the commencement of the restricted period.	Clause (a) is intended to capture securities into which the offered security can be converted and not securities that can be converted into the offered security. It is unlikely that a change in the price of a convertible security will have any impact on the offered security and has therefore not been included in the definition. Clarification has been included in the CP regarding the meaning of what may significantly determine the value of the offered security. Due to the variety of circumstances in which paragraph (b) may be applicable, it would not be practical to set out the terms of a price exception that would be appropriate in all cases. Where warranted, exemptive relief tailored to the specific fact situation may be sought.
5.	"dealer-restricted period" – commencement – public distribution 48-501 s.1.1 UMIR s.1.1	The rule and UMIR amendments would not impose trading restrictions on the largest issuers – those whose securities would qualify as highly-liquid securities – and for all other issuers the restricted period would commence two days prior to pricing. The Commission had requested specific comment on whether the commencement of the restricted period should adopt a three-tiered approach similar that that used in Reg. M. Three commenters responded to this request and concurred that there was no apparent benefit to adopting the more complicated approach used in Reg. M and that they preferred the method as presented in the rule and UMIR amendments.	The method of determining the commencement of the restricted period as originally proposed in the rule and UMIR amendments will be retained.
6.	"dealer-restricted period" – commencement – formal bids 48-501 s.1.1	Three commenters noted that the proposed commencement of the restricted period for take-over bids, issuer bids and capital reorganizations from the date of the first public announcement of the transaction could result in an unnecessarily long restricted period. It is	The rule and UMIR amendments have been amended to provide that the commencement of the restricted period begins on the date of the information circular, take-over bid circular, issuer bid circular or similar document (circular). The date of the circular is a more precise date and

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
	UMIR s.1.1	also different from the requirements of Reg. M where the restrictions commence when the proxy and solicitation materials are first disseminated to shareholders. One of the commenters suggested that the restriction on trading should only be for the period of solicitation which is effectively the seven day period prior to the shareholder vote.	more easily determined; it is expected that in most cases, the date of the circular will be very close to Reg. M's date of dissemination of materials.
7.	"dealer-restricted period" – commencement – wide distributions 48-501 s.1.1 UMIR s.1.1	A commenter has indicated that the notice requirement is inconsistent with industry practices and that the time horizon for such trades is often less than two days.	Wide distributions are currently contemplated only under UMIR and not securities legislation. The references to "wide distributions" in the rule and UMIR amendments have been removed.
8.	"dealer-restricted period" – termination – public distribution 48-501 s.1.1 UMIR s.1.1 and 1.2(6)	The Commission had requested specific comment on whether the determination of the end of the restricted period was sufficiently clear as proposed in the rule or whether further clarification such as that proposed in the amendments to the UMIR provisions would be helpful. Commenters sought clarity with respect to when the restricted period ended in the rule and some thought that the language proposed in the interpretation section of the UMIR amendments would be helpful in providing clarification. A couple of commenters suggested that reference to the end of the selling process should require only a final receipt to be issued and not also a final prospectus delivered to each subscriber. Another commenter noted that it may be problematic in cross-border public offerings of securities of inter-listed issuers if the proposed amendment was inconsistent with Reg. M where the restricted period ends solely on a dealer by dealer basis.	The rule has been amended to make the definition consistent with the proposed interpretation provision of the UMIR amendments. The Commission takes the view that it is appropriate that stabilization arrangements terminate for all dealers on the termination of the syndication agreement. Cross-border public offerings will not be prejudiced by the requirements in the rule as these securities, if subject to Reg. M and considered to be an "actively-traded security", are exempt from the restrictions in the rule. As such, the Commission has decided to make no amendments to the rule.
9.	"dealer-restricted period" – termination – formal bids 48-501 s.1.1 UMIR s.1.1	One commenter wrote that paragraph (c) of the definitions of "dealer-restricted period" and "issuer-restricted period" in the rule and UMIR amendments should be amended to clarify that the relevant securityholder vote or votes is by the securityholders who will receive the offered security. Another commenter noted that the length of the restricted- period from the date of the announcement to the date of approval/deposit of securities was unnecessarily broad and recommended that the period should only be the solicitation period, the seven day period before the scheduled shareholder vote.	The suggested amendment clarifying that the vote is by the securityholders who will receive the offered security has been made to the rule and UMIR amendments. Paragraph (c) has been amended so that the restricted period will commence on the date of the circular. The restricted period will continue to the date of approval.
10.	"dealer-restricted person" – scope – related parties 48-501 s.1.1 UMIR s.1.1	The Commission received considerable comment regarding the breadth of the previous proposed definitions of "dealer-restricted person". These commenters expressed concern that the inclusion of "related entities" of a dealer-restricted person was too sweeping.	The Commission and RS agree that the scope of this provision should include only those persons or companies with a direct interest in the outcome of a distribution or transaction. The definition in the previously proposed rule

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
		One commenter noted that every employee of a major Canadian bank would be considered to be a "dealer-restricted person" even though, in reality, only a small fraction of that group would have any involvement in the activities of the bank's affiliated dealer. Another commenter wrote that the proposed definition would capture portfolio management companies that are related to the participating dealer and any of the investment funds or accounts managed by them. A number of commenters also reported that the costs of monitoring and ensuring that appropriate compliance systems are in place as would be required by the previously proposed rule would be substantial. Several commenters recommended that, in certain circumstances, related entities should be excluded from the definition by using the same factors as in Policy 5.1 or Reg. M. Reg. M has the following conditions: (i) the dealer maintains, enforces and obtains an annual assessment of written policies which are reasonably designed to prevent the flow of information that might result in a violation of Reg. M; (ii) the affiliate has no officers (or persons performing similar functions) or employees (other than clerical, ministerial, or support staff) in common with the dealer that direct, effect or recommend transactions in securities; and (iii) the affiliate does not, during the applicable restricted period, act as a market maker (other than as a specialist in compliance with the rules of a national securities exchange), or act as a broker in solicited transactions or proprietary trading of restricted securities. Another commenter submitted a proposal to create information walls around related entities.	would not capture employees of a bank but would capture all related entities (i.e. those affiliates of the dealer registered under the Securities Act). The definition of "dealer-restricted person" has been amended in the rule and the UMIR amendments to exclude related entities of a dealer provided the dealer has in place policies and procedures that restrict the flow of information between the dealer and its related entities. The conditions in the rule are substantially similar to those in Reg. M.
11.	"dealer-restricted person" – managed accounts 48-501 s.1.1 UMIR s.1.1	In the rule the definitions of a "dealer-restricted person" and an "issuer-restricted person" included an investment fund or account managed by a dealer-restricted person or issuer-restricted person. The comment was made that incorporating the concept of "direction or control" over an account, similar to the equivalent UMIR provision, would be clearer.	The Commission has adopted similar wording to the UMIR amendments.
12.	"dealer-restricted person" – scope - agents 48-501 s.1.1 UMIR s.1.1	One commenter submits that imposing trading restrictions on dealers acting as agents on a best efforts basis in private placements and public offerings is not necessary and could inhibit smaller companies in their efforts to raise capital. Financings that are structured on a best efforts basis would not give rise to any incentive to manipulate the market as the dealer could extricate itself from the financing if it is not acceptable to the dealer. Another commenter agreed with the proposal to extend	The Commission and RS are of the view that, although dealers/participants involved in a financing on a best efforts basis are not subject to the same degree of economic risk that accompanies a committed financing, there is, nonetheless, sufficient interest to make manipulation a concern. A failed agency offering would not only result in no compensation for time and effort committed by the dealer/participant to the effort but also entails significant reputational risk to the entity. The Commission has decided

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
		the trading restrictions to public offerings but suggested that further study should be undertaken before also extending the restrictions to private placements.	to include in the definition of "dealer-restricted person" agents in significant public offerings and private placements. The threshold for significant offerings in the rule is where the number of securities being offered pursuant to the public distribution is more than 10% of the number of issued and outstanding offered securities.
13.	"highly-liquid security" 48-501 s.1.1 UMIR s.1.1	The Commission received considerable response on its request for specific comment on whether the definition of highly-liquid security should include criteria based on the size of public float, similar to Reg. M, and whether this information or that in the proposed definition would be difficult to obtain or calculate on a consistent basis. Some felt that the average number of trades per day test was a less accurate reflection of truly highly-liquid securities because some securities may experience an unusual trading volume due to public disclosure of unanticipated information by an issuer, or inappropriate market conduct. The public float test was preferred by most commenters over the average number of trades test. It was suggested that a threshold of $150 million would be appropriate. Clarification was also sought on how average daily trading volume would be calculated, and in particular, whether trading volume is to be measured on a world wide basis. One commenter suggested a principle based approach to the definition and submitted that the tests for determination of a highly-liquid security should be applied only as guidelines. However, most of the commenters suggested that one entity should develop and maintain the list of highly-liquid securities citing that it was important to have certainty as to what would qualify as a highly-liquid security and to avoid inconsistent application of the exemption from one dealer to the next.	A security will be considered a highly-liquid security provided that has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period, with an average daily trading value of $1 million and a minimum average over of 100 trades a day on Canadian marketplaces. The Commission and RS are of the view that this test is most reflective of liquidity. RS will maintain and distribute a list of securities which will be considered to be "highly-liquid securities". Market participants may rely on the list but market participants would be entitled to rely on information contained in a consolidated market display of trades executed on Canadian marketplaces. (In part, RS prefers the "trade" test to the "public float" used in Reg. M. as RS is considering proposing an amendment to the short sale rules to provide an exemption for "highly-liquid securities" from the requirement that short sales be done at a price not less than the last trade. A liquidity test based on trades rather than float is most appropriate in those circumstances.) Inter-listed securities which meet the "float" test under Reg. M. will be considered "highly-liquid securities".
14.	"issuer-restricted period" 48-501 s.1.1 UMIR s.1.1	One commenter requested clarification on the definition of issuer-restricted period, and in particular, whether the restricted period begins on the earlier of the days described in sub-paragraphs (i), (ii) or (iii).	Clause (a) of the definition of "issuer-restricted period" has been amended to start two trading days prior to the day the offering price is determined.
15.	"marketplace" and "marketplace rules" 48-501 s.1.1 UMIR s.1.1	One commenter requested clarification of the term "marketplace" and "marketplace rules" as used in the rule.	Commentary has been included in the CP as to what is meant by "marketplace" and "marketplace rules". The reference to "marketplace rules" has been removed from the definition of "public distribution".
16.	"offered security" 48-501 s.1.1 UMIR s.1.1	One commenter felt that the definition of "offered security" should be subject to a test of materiality of the merger or acquisition to the offeror. Clarification was also requested to specify that the proxies were those of the shareholders that would acquire the offered security.	A materiality test from the perspective of the offeror is not appropriate. The transaction will always be material to the shareholders that will acquire the offered security. The definition has been revised to clarify that the proxies refer to those solicited from securityholders that will receive the offered security.

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
		A comment was also made that as paragraphs (b) and (c) would extend the application of trading restrictions to take-over bids and issuer bids that would otherwise be exempt from applicable securities law requirements, consideration should be given to further exempting these transactions from the rule.	Paragraphs (b) and (c) of the rule and UMIR amendments have been amended so that paragraph (b) refers to a security which is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation and paragraph (c) refers to a security which is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation. These materials are not required to be filed, under securities legislation, for exempt bids.
17.	"public distribution" 48-501 s.1.1 UMIR s.1.1	The suggestion was made by one commenter that listed or quoted securities being distributed by way of a private placement should also be subject to a restricted period, and accordingly the definitions of "offered security", "connected security" and "restricted security" be amended to included private placement transactions.	Private placements are subject to trading restrictions as the definition of "public distribution" includes offerings by way of prospectus, or private placements.
18.	"dealer-restricted period"/"restricted period" 48-501 s.1.1 UMIR s.1.1	One commenter noted the different definitions of "dealer-restricted period" and "restricted period" in the rule and the UMIR amendments but acknowledged the need for the rule to accommodate both dealer-restricted persons and issuer-restricted persons. Another commenter expressed concern that the different definitions in the two rules might result in situations where a dealer-restricted person might be subject to trading restrictions but that an issuer-restricted person might not be similarly restricted.	The restricted period for dealers and issuers in the rule and UMIR amendments are intended to be identical in substance. Changes have now been made to conform the respective provisions. As presently proposed, the issuer-restricted period will commence at or before, but never later than, a dealer-restricted period will commence (although it is possible for a dealer's restricted period to commence later than that the issuer-restricted period.) Therefore it is not possible for a dealer to be subject to trading restrictions while an issuer-restricted person is not so restricted.
19.	"restricted security" 48-501 s.1.1 UMIR s.1.1	One commenter suggested that the definition of "restricted security" to be included in UMIR be consistent with the definition of "restricted security" in the rule. The commenter believes that securities which comprise the public distribution be exempt from being a "restricted security" in the definition rather than within the exemptions from the restrictions in UMIR s.7.7(4).	The definition of restricted security in the rule as originally proposed would have excluded those securities comprising the public distribution with the effect that subsequent trades in those securities would not have been subject to the prohibitions in the rule. The equivalent UMIR provisions would include all offered securities as restricted securities but would provide an exemption for the primary distribution of securities pursuant to the public distribution. It was not the intention of the Commission to exempt the subsequent secondary market trades of the securities under the public distribution. The definition in the rule has been amended to adopt the same approach as that taken in the UMIR amendments.
Restrictions			
20.	Restriction on Trading 48-501 s.2.1 UMIR s.7.7	The onus placed on a dealer-restricted person to ensure that they do not bid for or purchase a restricted security for an issuer-restricted person is exceedingly difficult to monitor.	The Commission and RS agree that it would be very difficult and expensive to monitor all issuer-restricted persons to ensure compliance with the rules. The requirement to not bid for or purchase on behalf of an issuer-restricted person has been amended to state that the dealer-restricted

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
			person shall not carry out such a transaction if it "knows or ought reasonably to know" that the person was an issuer-restricted person.
Permitted Activities and Exemptions			
21.	Prohibited Use of Exemptions from Trading Restrictions 48-501, s.3.1	One commenter felt that section 3.1 of the rule was unnecessary.	Section 3.1 of the rule was intended to clarify that notwithstanding the exemptions available in Part 3, reliance upon those exemptions continues to be subject to prohibitions against manipulation and fraud. However, since anti-manipulation and anti-fraud provisions are found in Part 3 of NI 23-101 (and s.126.1 of the Securities Act, when it becomes effective) the Commission has decided to remove s. 3.1 from the rule and include clarification in the CP that anti-manipulation and anti-fraud provisions found in securities legislation continue to apply.
22.	Determination of Maximum Permitted Stabilization Price 48-501, s.3.1(a) UMIR s.7.7(4)(a)	One commenter requested guidance as to how the maximum stabilization price is determined and suggested that Reg. M was instructive where it refers to pricing in the principal market or the market where stabilization will be initiated.	Since there is no concept in Ontario of a "principal market" as referred to in Reg. M, there is no distinction to be drawn between a price on a consolidated display and the price on the principal market. No change, therefore, has been made.
23.	Market Stabilization 48-501 s.3.1(a) UMIR s.7.7(4)(a)	One commenter stated that if the underwriter enters a bid on a marketplace equal to the highest independent bid then entered on a marketplace and the independent bid is subsequently withdrawn, the underwriter should be permitted to keep its bid open and to complete a purchase if the underwriter's bid is accepted on the marketplace.	These provisions have been amended. A dealer is permitted to purchase or bid for a connected security for the purpose of market stabilization at a price that is the lesser of the best independent bid price at the time of commencement of the restricted period and the highest independent bid at the time of the bid or purchase. If an independent bid is withdrawn this may be indicative of a movement in the market price of the security and the dealer should be limited to the prevailing highest independent bid.
24.	Short Sales 48-501 s. 3.1(1)(h) UMIR s.7.7(4)(h)	The Commission specifically requested comment on whether there should be an exemption allowing a dealer-restricted person to cover short sales entered into during the restricted period and, if so, whether any conditions, such as those in Reg. M, would be appropriate. The Commission received a number of comments on this issue. A couple of commenters recommended that dealer-restricted persons be able to cover short sales entered into during the restricted period. One commenter recommended adopting the Reg. M prohibition and felt that it would constitute an appropriate and sufficient restriction. Reg. M prohibits the covering of short sales during certain periods of time if the purchase of offered securities was from an underwriter, broker or dealer participating in the offering. Another commenter wrote that short covering should not be considered part of market	The Commission and RS decided to remove the short sale exemption from being tied to the 'market stabilization' exemption and instead, make it a separate exemption. In effect, for a short position entered into before the restricted period commenced there would be no price limit but if it was entered into during the restricted period, it can still be covered subject to certain price limitations. Covering of short positions from unsolicited client orders would be addressed by the exemption for unsolicited client orders.

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
		stabilization activities.	
25.	Exempted Securities 48-501, s.3.2(b)(iii)	The rule and UMIR amendments differed on the inclusion of non-convertible debt, non-convertible preferred shares and asset-backed securities as exempted securities. One commenter supported their inclusion and another advocated against their inclusion.	This exemption has been removed from the rule.
26.	Specific Exemptions UMIR 7.7(4)(g) and (h)	Commenters have indicated their support for the exemptions in UMIR s.7.7(4)(g) and (h) but have indicated that certain additional exemptions should be provided where trading is an element of an on-going program that will have little chance of manipulating the market for a security.	The UMIR definition of "basket trade" will be amended to make it broader. In addition, general exemptions will be included in the rule. It should also be noted that RS staff will consider granting specific exemptions for transactions on a case-by-case basis.
27.	Exemptions for the Exercise of conversion and purchase rights 48-501 s. 3.2(e) & 3.3(a) UMIR 7.7(4)(e) and (5)(a)	It was submitted that the exemption for the exercise of options, rights, warrants and other similar contractual arrangements should not be restricted only to those held prior to the commencement of the restricted period.	The Commission and RS do not believe that extending the exemption would be appropriate. Generally, the exemptions from the general prohibition on any trading activity in a restricted security are designed to minimize any interference with the on-going business or pre-existing positions of the dealer. If a dealer acquires options, rights or warrants during a restricted period, they do so with the knowledge that their exercise during the restricted period is prohibited. Furthermore, if the dealer-restricted person or issuer-restricted person is prohibited from purchasing a restricted security at the time, they should not be able to do so indirectly through the purchase and exercise of an option, right or warrant during the restricted period.
28.	Inter-listed arbitrage Exemption UMIR 7.7(4)(k)	One commenter suggested that inter-listed arbitrage activity should be exempted.	RS has decided to add to the UMIR amendments a limited exemption for bona fide arbitrage activity where the dealer-restricted person reasonably believes that they can immediately sell the security and intend to do so.
29.	Inadvertent Violation Exemption	One commenter wrote that the rule should contain an exemption to deal with inadvertent violations of the rule.	The Commission and RS have considered the comment and concluded that it would not be appropriate to add such an exemption. A violation, even if inadvertent, may be dealt with in the context of an investigation and/or prosecution by the Commission and RS. In such a case, the adequacy of the dealer's policies and procedures would be considered.
30.	Exemption for Dealer- Restricted Person affiliated with an issuer 48-501, s. 3.1(2) UMIR 7.7(9)	One commenter noted that under the rule a dealer-restricted person affiliated with an issuer is subject to the issuer and dealer restrictions and suggested adding a clause, similar to Reg. M, which allows a dealer-restricted person affiliated with an issuer or selling securityholder to use the exemptions available to dealer-restricted persons.	Subsection 3.1(2) has been added to the rule to clarify that the exemptions available to dealer-restricted persons continue to be available even where the dealer is an issuer-restricted person.
Research Reports			
31.	Research Reports – Compilations and Industry Research	The Commission received considerable comment on the issues of compilations and industry research and research on issuers of	Upon considering the comments and the potential for conflict, the Commission has decided not to allow single issuer reports to be

Item	Topic and Section Reference	Summary of Comments	OSC and RS Response
	and Issuers of Exempt Securities 48-501, s. 4.1 and 4.2 UMIR 7.7(6)	exempt securities. There was a divergence of opinion. On the one hand, some commenters supported the proposal to allow publication of research for certain securities during a distribution or take-over bid. It was argued that when only a limited number of dealers are permitted to publish, clients are detrimentally affected by a reduction in the information available to these clients. On the other hand, some commenters were concerned about the potential conflicts that may arise if any type of research is permitted during a distribution. The potential conflict, it was argued, may arise because there is a possibility that information contained in the research report may vary from that in a prospectus. Further, it was suggested that permitting research during a distribution allows a firm to act in a self-serving manner. Several submissions were made that paragraph (d) in section 4.1 was too restrictive and the constrained ratings would be of limited use and potentially be misleading.	issued as previously contemplated in section 4.2 but to allow compilation reports to be issued that meet certain criteria. The Commission has removed the requirement in paragraph (d) in proposed section 4.1. Paragraph (d) provided that research could only be disseminated if in addition to meeting the first three conditions, the dealer-restricted person had made a recommendation as favourable or more favourable in the last publication of the report. Several submissions were received that "constrained ratings" would be of limited use and potentially misleading. The Commission is of the view that the three remaining conditions impose sufficient discipline on the compilation report. Similar changes have been made to UMIR 7.7(6).

6.1.4 OSC Rule 48-501 Trading during Distributions, Formal Bids and Share Exchange Transactions

ONTARIO SECURITIES COMMISSION
RULE 48-501

TRADING DURING
DISTRIBUTIONS, FORMAL BIDS AND
SHARE EXCHANGE TRANSACTIONS

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION
RULE 48-501

TRADING DURING
DISTRIBUTIONS, FORMAL BIDS AND
SHARE EXCHANGE TRANSACTIONS

PART 1 DEFINITIONS

1.1 Definitions - In this Rule

"best independent bid price" means the highest bid price entered on a marketplace, other than a bid that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

"connected security" means, in respect of an offered security,

(a) a security into which the offered security is immediately convertible, exchangeable or exercisable unless the security is a listed security or quoted security and the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the security at the commencement of the restricted period,

(b) a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security,

(c) if the offered security is a special warrant, the security which would be issued on the exercise of the special warrant, and

(d) if the offered security is an equity security, any other equity security of the issuer;

"dealer-restricted period" means, for a dealer-restricted person, the period,

(a) in connection with a public distribution of an offered security, commencing on the later of

(i) the date two trading days prior to the day the offering price of the offered security is determined, and

(ii) the date on which a dealer enters into an agreement or reaches an understanding to participate in the public distribution of securities, whether or not the terms and conditions of such participation have been agreed upon, and

ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of the take-over bid circular, issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid, and

(c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of the information circular for such transaction and ending on the approval of the transaction by the security holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"dealer-restricted person" means, in respect of a particular restricted security,

(a) a dealer that

(i) has been appointed by an issuer to be an underwriter in a public distribution,

(ii) is participating, as agent, in a public distribution of securities that would constitute more than 10% of the issued and outstanding offered securities,

(iii) has been appointed by an offeror to be the dealer-manager, manager, soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or

(iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining security holder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction,

(b) a related entity of the dealer referred to in clause (a) but does not include such related entity, or any separate and distinct department or division of a dealer referred to in clause (a), where,

(i) the dealer

(A) maintains and enforces written policies and procedures reasonably designed to prevent the flow of information regarding any public distribution or transaction referred to in clause (a) to or from the related entity, department or division, and

(B) obtains an annual assessment of the operation of such policies and procedures,

(ii) the dealer has no officers or employees that solicit orders or recommend transactions in securities in common with the related entity, department or division, and

(iii) the related entity, department or division does not during the dealer-restricted period in connection with the restricted security,

(A) act as a market maker (other than to meet its obligations under the rules of a recognized exchange),

(B) solicit orders from clients, or

(C) engage in proprietary trading,

(c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity for the dealer referred to in clause (a) or for a related entity of the dealer referred to in clause (b), or

(d) any person or company acting jointly or in concert with a person or company described in clause (a), (b) or (c) for a particular transaction;

"exchange-traded fund" means a mutual fund,

(a) the units of which are

(i) listed securities or quoted securities, and

(ii) in continuous distribution in accordance with applicable securities legislation, and

(b) designated by the Director as an exchange-traded fund for the purposes of this Rule;

"highly-liquid security" means a listed security or quoted security that,

(a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period,

(i) an average of at least 100 times per trading day, and

(ii) with an average trading value of at least $1,000,000 per trading day, or

(b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder;

"issuer-restricted period" means, for an issuer-restricted person, the period,

(a) in connection with a public distribution of an offered security, commencing on the date two trading days prior to the day the offering price of the offered security is determined, and ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of the take-over bid circular, issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid, and

(c) in connection with an amalgamation, arrangement, capital reorganization or other similar transaction, commencing on the date of the information circular for such transaction and ending on the approval of the transaction by the security holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"issuer-restricted person" means, in respect of a particular restricted security,

(a) the issuer of the offered security,

(b) a selling security holder of the offered security in connection with a public distribution,

(c) an affiliated entity, associated entity or insider of the issuer of the offered security or the selling security holder, or

(d) any person or company acting jointly or in concert with the person or company described in clause (a), (b) or (c) for a particular transaction;

"last independent sale price" means the last sale price of a trade on a market, other than a trade that a dealer-restricted person knows or ought reasonably to know was made by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

"offered security" means all securities of the class of security that

(a) is offered pursuant to a public distribution,

(b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation,

(c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation, or

(d) would be issuable to a security holder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

provided that, if the security referred to in clauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered an offered security;

"public distribution" means a distribution of a security pursuant to a prospectus or private placement; and

"restricted security" means the offered security or any connected security.

1.2 Interpretation

(1) Affiliated Entity –The term "affiliated entity" has the meaning ascribed to that term in section 1.3 of National Instrument 21-101 – *Marketplace Operation*.

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

(3) Equity Security – An equity security is any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.

(4) Related Entity – In respect of a dealer, a related entity is an affiliated entity of the dealer that carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation.

(5) For the purposes of the definitions of "dealer-restricted period" and "issuer-restricted period":

(a) the selling process shall be considered to end:

(i) in the case of a distribution pursuant to a prospectus, if a receipt has been issued for the final prospectus and the dealer has allocated all of its portion of the securities to be distributed under the prospectus and delivered to each subscriber a copy of the prospectus as required by applicable securities legislation, and

(ii) in the case of a private placement, the dealer has allocated all of its portion of the securities to be distributed under the offering and delivered to each subscriber a copy of all offering documents required to be provided to subscribers in connection with such offering; and

(b) stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a dealer after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the dealers that were party to the stabilization arrangements.

PART 2 RESTRICTIONS

2.1 Dealer-restricted Person - Except as permitted under sections 3.1 and 4.1, a dealer-restricted person shall not at any time during the dealer-restricted period,

(a) bid for or purchase a restricted security for an account of a dealer-restricted person, an account over which the dealer-restricted person exercises direction or control, or, except in accordance with section 3.2, an account which the dealer-restricted person knows or reasonably ought to know, is an account of an issuer-restricted person; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.2 Issuer-restricted Person – Except as permitted under section 3.2, an issuer-restricted person shall not at any time during the issuer-restricted period,

(a) bid for or purchase a restricted security for an account of an issuer-restricted person or an account over which the issuer-restricted person exercises direction or control; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.3 Deemed Re-commencement of a Restricted Period - If a dealer appointed to be an underwriter in a public distribution receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the dealer in connection with the public distribution then a dealer-restricted period and issuer-restricted period shall be deemed to have re-commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the

dealer has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.

PART 3 PERMITTED ACTIVITIES AND EXEMPTIONS

3.1 Exemptions - Dealer-restricted Persons

(1) Section 2.1 does not apply to a dealer-restricted person in connection with,

(a) market stabilization or market balancing activities on a marketplace where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security, provided that the bid or purchase is at a price which does not exceed the lesser of

(i) in the case of an offered security

(A) the price at which the offered security will be issued in a public distribution, if that price has been determined, and otherwise, the last independent sale price, and

(B) the best independent bid price at the time of the bid or purchase, or

(ii) in the case of a connected security

(A) the best independent bid price at the commencement of the dealer-restricted period, and

(B) the best independent bid price at the time of the bid or purchase,

provided that

(iii) if the dealer-restricted person enters the bid prior to the commencement of trading on a trading day, the price also does not exceed the last sale price of the restricted security on the previous trading day, and

(iv) if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last trade of the security executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

(b) a restricted security that is

(i) a highly-liquid security,

(ii) a unit or share of an exchange-traded fund, or

(iii) a connected security of a security referred to in subclause (i) or (ii);

(c) a bid or purchase by a dealer-restricted person on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is a person or company that is an issuer-restricted person, provided that

(i) the client's order was not solicited by the dealer-restricted person, or

(ii) if the client's order was solicited, the solicitation occurred before the commencement of the dealer-restricted period;

(d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the dealer-restricted period;

(e) a bid for or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(f) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid;

(g) a subscription for or purchase of an offered security pursuant to a public distribution;

(h) a bid for or purchase of a restricted security to cover a short position entered into prior to the commencement of the dealer-restricted period; or

(i) a bid for or purchase of a restricted security if the bid or purchase is made through the facilities of a marketplace in accordance with applicable marketplace rules.

(2) Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsection (1) and section 4.1 continue to be available to the dealer-restricted person.

3.2 Exemptions - Issuer-restricted Persons - Section 2.2 does not apply to an issuer-restricted person in connection with,

(a) the exercise of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the issuer-restricted period;

(b) a bid or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(c) an issuer bid described in clauses 93(3)(a) through (d) of the Act if the issuer did not solicit the sale of the securities sold under those clauses;

(d) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid; or

(e) a subscription for or purchase of an offered security pursuant to a public distribution.

PART 4 RESEARCH REPORTS

4.1 Compilations and Industry Research - Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any information, opinion, or recommendation relating to the issuer of a restricted security provided that such information, opinion or recommendation,

(a) is contained in a publication which:

(i) is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person, and

(ii) includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person; and

(b) is given no materially greater space or prominence in such publication than that given to other securities or issuers.

PART 5 Exemption

5.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

ONTARIO SECURITIES COMMISSION
RULE 48-501

TRADING DURING
DISTRIBUTIONS, FORMAL BIDS AND
SHARE EXCHANGE TRANSACTIONS

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION
RULE 48-501

TRADING DURING
DISTRIBUTIONS, FORMAL BIDS AND
SHARE EXCHANGE TRANSACTIONS

TABLE OF CONTENTS

"best independent bid price" means the highest bid price entered on a marketplace, other than a bid that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

"connected security" means, in respect of an offered security,

(a) a ~~listed security or quoted~~ security into which the offered security is immediately convertible, exchangeable or exercisable unless the security is a listed security or quoted security and the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the ~~listed security or quoted~~ security at the commencement of the restricted period,

(b) a ~~listed security or quoted~~ security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security,

(c) if the offered security is a special warrant, ~~a listed security or quoted~~the security which would be issued on the exercise of the special warrant, and

(d) if the offered security is an equity security, any other equity security of the issuer ~~that is a listed security or quoted security;~~;

"dealer-restricted period" means, for a dealer-restricted person, the period,

(a) in connection with a public distribution of an offered security, commencing on the later of ~~the~~ date

(i) the date two trading days prior to the day the offering price of the offered security is determined, and

(~~i~~ii) the date on which a dealer enters into an agreement or reaches an understanding to participate in the public distribution of securities ~~by a prospectus~~, whether or not the terms and conditions of such participation have been agreed upon, and

~~(ii) two trading days prior to the day,~~

~~(A) the offering price of securities to be offered by a prospectus is determined,~~

~~(B) the consent of the exchange or quotation and trade reporting system to the distribution in the case of a wide distribution or private placement pursuant to the applicable marketplace rules, or~~

~~(C) the offering price of the special warrant is determined in the case of a distribution of special warrants, and~~

ending on the date the selling process ends and all stabilization arrangements relating to the offered security ~~terminate,~~are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, ~~from~~commencing on the ~~first public announcement~~date of the ~~securities exchange~~ take-over bid ~~or~~circular, issuer bid

~~until~~circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid ~~is withdrawn~~, and

(c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, ~~from the first public announcement of~~commencing on the date of the information circular for such transaction~~, until~~ and ending on the approval of the transaction by the security holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"dealer-restricted person" means, in respect of a particular restricted security,

(a) ~~the~~a dealer ~~appointed by~~that

(i) has been appointed by an issuer to be an underwriter ~~involved~~ in a public distribution ~~but does not include a dealer that is part of the selling group only and is not obligated to purchase any of the distributed securities,~~ ;

(ii) is participating, as agent, in a public distribution of securities that would constitute more than 10% of the issued and outstanding offered securities,

(~~ii)~~ iii) has been appointed by an offeror to be the dealer-manager, manager, soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or

(~~iii)~~ iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining security holder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction,

(b) a related entity of the dealer referred to in ~~paragraph (a),~~clause (a) but does not include such related entity, or any separate and distinct department or division of a dealer referred to in clause (a), where,

(i) the dealer

(A) maintains and enforces written policies and procedures reasonably designed to prevent the flow of information regarding any public distribution or transaction referred to in clause (a) to or from the related entity, department or division, and

(B) obtains an annual assessment of the operation of such policies and procedures,

(ii) the dealer has no officers or employees that solicit orders or recommend transactions in securities in common with the related entity, department or division, and

(iii) the related entity, department or division does not during the dealer-restricted period in connection with the restricted security,

(A) act as a market maker (other than to meet its obligations under the rules of a recognized exchange),

(B) solicit orders from clients, or

(C) engage in proprietary trading,

(c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity for the dealer referred to in ~~paragraph~~clause (a) or for a related entity of the dealer~~,~~ referred to in clause (b), or

(d) any person or company acting jointly or in concert with a person or company described in ~~paragraphs~~clause (a), (b) or (c) for a particular transaction~~; or~~

~~(e) an investment fund or account managed by a person or company described in paragraphs (a), (b), (c) or (d)~~;

"exchange-traded fund" means a mutual fund~~,~~

(a) the units of which are

(i) ~~a~~ listed ~~security~~securities or ~~a~~ quoted ~~security~~ securities~~,~~ and

(ii) in continuous distribution in accordance with applicable securities legislation, and

(b) designated by the ~~Commission~~Director as an exchange-traded fund for the purposes of this ~~rule~~Rule;

"highly-liquid security" means a listed security or quoted security that~~,~~

(a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period,

(i) an average of at least 100 times per trading day, and

(ii) with an average trading value of at least $1,000,000 per trading day, or

(b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder~~;~~

~~"independent bid" means an order, other than a special terms order, to buy entered on a marketplace by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person;~~

~~"independent non-marketplace trade" means a trade executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market, of at least one standard trading unit made by or on behalf of a person who is not a dealer restricted person or an issuer restricted person;~~

~~"independent trade" means a trade on a marketplace of at least one standard trading unit made by or on behalf of a person who is not a dealer restricted person or an issuer restricted person;~~

"issuer-restricted period" means, for an issuer-restricted person, the period,

(a) in connection with a public distribution of an offered security, commencing on the date two trading days prior to the day~~(i)~~ the offering price of ~~securities to be~~the offered ~~by a prospectus~~security is determined,

~~(ii) the consent of the exchange or quotation and trade reporting system to the distribution in the case of a wide distribution or private placement pursuant to the applicable marketplace rules, or~~

~~(iii) the offering price of the special warrant is determined in the case of a distribution of special warrants, and~~ and ending on the date the selling process ends and all stabilization arrangements relating to the offered security ~~terminate,~~are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, ~~from~~commencing on the ~~first public announcement~~date of the ~~securities exchange~~ take-over bid ~~or~~circular~~,~~ issuer bid ~~until~~circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid ~~is withdrawn~~, and

(c) in connection with an amalgamation, arrangement, capital reorganization or other similar transaction, ~~from the first public announcement of~~commencing on the date of the information circular for such transaction~~, until~~ and ending on the approval of the transaction by the security

holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"issuer-restricted person" means, in respect of a particular restricted security,

(a) the issuer of the offered security,

(b) a selling security holder of the offered security in connection with a public distribution,

(c) an affiliated entity, associated entity or insider of the issuer of the offered security or the selling security holder, or

(d) any person or company acting jointly or in concert with the person or company described in paragraphsclause (a), (b) or (c) for a particular transaction, or

(e) an investment fund or account managed by a person or company described in paragraphs (a), (b), (c) or (d);

"maximum permitted stabilization price" means,

(a) for the offered security,

(i) the price at which the offered security will be issued in a public distribution, if that price has been determined, or

(ii) the price of the last independent trade, if

(A) the price at which the offered security will be issued in a public distribution has not been determined including where the security will be issued pursuant to an at-the-market offering as permitted by National Instrument 44-101 *Short Form Prospectus Distributions* or OSC Rule 41-501 *General Prospectus Requirements* or any successor instrument, or

(B) the offered security will be issued other than pursuant to a public distribution,

(b) for a connected security, the highest price of an independent bid for that security at the commencement of the restricted period;

"last independent sale price" means the last sale price of a trade on a market, other than a trade that a dealer-restricted person knows or ought reasonably to know was made by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

"offered security" means the security(a) that is a listed security or quoted securityall securities of the class of security that is the subject of

(a) is offered pursuant to a public distribution,

(b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation,

(c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation, or

(d) that would be issuable to a security holder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

provided that, if the security referred to in paragraphsclauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered an offered security;

"public distribution" means a distribution of anya security pursuant to(a) a prospectus;(b) a wide distribution or

private placement ~~in accordance with the applicable marketplace rules, or (c) an offering of special warrants~~; and

"restricted security" means~~(a)~~ the offered security~~, other than, in the case of a public distribution, those offered securities comprising the distribution,~~ or~~(b)~~ any connected security.

1.2 Interpretation

(1) Affiliated Entity – ~~A person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company.~~The term "affiliated entity" has the meaning ascribed to that term in section 1.3 of National Instrument 21-101 – *Marketplace Operation*.

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

~~(3) Controlled – For the purposes of the definition of "subsidiary entity", an entity is considered to be controlled by a person or company if~~

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

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

~~(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the entity,~~

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

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

(3) ~~(4)~~ Equity Security – An equity security is any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.

(4) ~~(5)~~ Related Entity - In respect of a dealer, a related entity is an affiliated entity of the dealer~~, which~~ that carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation~~,~~.

~~(6) Special Terms Order – An order is considered a special terms order if it is for the purchase or sale of a security~~

~~(a) for less than a standard trading unit,~~

~~(b) the execution of which is subject to a condition other than as to the price or date of settlement, or~~

~~(c) that on execution would be settled on a date other than~~

~~(i) the third business day following the date of the trade, or~~

~~(ii) any settlement date determined in accordance with applicable marketplace rules;~~

~~(7) Subsidiary Entity - A person or company is considered to be a subsidiary entity of another person or company if~~

~~(a) it is controlled by~~

~~(i) that other,~~

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

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

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

(5) For the purposes of the definitions of "dealer-restricted period" and "issuer-restricted period":

(a) the selling process shall be considered to end:

(i) in the case of a distribution pursuant to a prospectus, if a receipt has been issued for the final prospectus and the dealer has allocated all of its portion of the securities to be distributed under the prospectus and delivered to each subscriber a copy of the prospectus as required by applicable securities legislation, and

(ii) in the case of a private placement, the dealer has allocated all of its portion of the securities to be distributed under the offering and delivered to each subscriber a copy of all offering documents required to be provided to subscribers in connection with such offering; and

(b) Stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a dealer after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the dealers that were party to the stabilization arrangements.

PART 2 RESTRICTIONS

2.1 Dealer-restricted Person - Except as permitted~~,~~ under sections 3.1 and 4.1, a dealer-restricted person shall not at any time during the dealer-restricted period,

(a) bid for or purchase a restricted security for ~~its, his or her own account or any account in which it, he or she has a beneficial interest or in respect of which it, he or she exercises direction or control or for the account of an issuer restricted person, or any account in which the issuer restricted person has a beneficial interest or in respect of which the issuer~~an account of a dealer-restricted person, an account over which the dealer-restricted person exercises direction or control, or, except in accordance with section 3.2, an account which the dealer-restricted person knows or reasonably ought to know, is an account of an issuer-restricted person; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.2 Issuer-restricted Person – Except as permitted~~,~~ under section 3.2, an issuer-restricted person shall not at any time during the issuer-restricted period,

(a) bid for or purchase a restricted security for ~~its, his or her own~~an account ~~or any account in which it, he or she has a beneficial interest~~of an issuer-restricted person or an account over which the issuer-restricted person exercises direction or control; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.3 Deemed Re-commencement of a Restricted Period - If a dealer appointed to be an underwriter in a public distribution receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the dealer in connection with the public distribution then a dealer-restricted period and issuer-restricted period shall be deemed to have re-commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the dealer has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.

PART 3 PERMITTED ACTIVITIES AND EXEMPTIONS

~~**3.1 Exemptions from Trading Restrictions**~~

~~Despite sections 2.1 and 2.2, a dealer-restricted person or an issuer-restricted person may bid for or purchase a restricted security in accordance with, or engage in activities referred to in this Part or Part 4 provided such activity is not engaged in for the purpose of creating a false or misleading appearance of actual or apparent active trading in, or artificially raising the price of, the restricted security.~~

3.1 ~~3.2~~ Exemptions - Dealer-restricted Persons

(1) Section 2.1 does not apply to a dealer-restricted person in connection with,

(a) market stabilization or market balancing activities on a marketplace where the bid for or purchase of a restricted security ~~if~~is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security, provided that the bid or purchase is at a price which does not exceed the lesser of

(i) ~~the maximum permitted stabilization price, and~~in the case of an offered security

(A) the price at which the offered security will be issued in a public distribution, if that price has been determined, and otherwise, the last independent sale price, and

(B) the best independent bid price at the time of the bid or purchase, or

(ii) in the case of a connected security

(A) the best independent bid price at the commencement of the dealer-restricted period, and

~~(ii)~~

(B) the ~~highest~~best independent bid ~~then entered on a marketplace,~~price at the time of the bid or purchase,

provided that

(iii) if the dealer-restricted person enters the bid prior to the commencement of trading on a trading day, the price also does not exceed the last sale price of the restricted security on the previous trading day, and

(iv) if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last ~~independent non-marketplace trade of the security, and~~trade of the security executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

~~(v) if the bid or purchase is to cover a short sale entered into prior to the dealer restricted period or pursuant to market making obligations, the price is not subject to paragraph (ii);~~

(b) a restricted security that is

(i) a highly-liquid security,

(ii) a unit or share of an exchange-traded fund, or

~~(iii) a non-convertible debt security, non-convertible preferred share or asset backed security that has an approved rating, or~~

(iii) ~~(iv)~~ a connected security of a security referred to in ~~paragraphs~~subclause (i)~~,~~ or (ii~~) or (iii~~);

(~~d~~c) a bid or purchase by a dealer-restricted person on behalf of a client ~~if~~, other than a client that the dealer-restricted person knows or ought reasonably to know is a person or company that is an issuer-restricted person, provided that

(i) the client's order was not solicited~~, or~~ by the dealer-restricted person, or

(ii) if the client's order was solicited, the solicitation occurred before the commencement of the dealer-restricted period;

(~~e~~d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the dealer-restricted period;

(~~f~~e) a bid for or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed~~; or~~**;**

(f) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid;

~~(g) if the prohibition is due to a securities exchange take-over bid or an issuer bid, the solicitation of acceptances of that bid by the dealer.~~

(g) a subscription for or purchase of an offered security pursuant to a public distribution;

(h) a bid for or purchase of a restricted security to cover a short position entered into prior to the commencement of the dealer-restricted period; or

(~~e~~i) a bid for or purchase of ~~securities~~ a restricted security if the bid or purchase is made through the facilities of a marketplace in accordance with applicable marketplace rules.

(2) Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsection (1) and section 4.1 continue to be available to the dealer-restricted person.

~~3.3~~3.2 **Exemptions - Issuer-restricted Persons -** Section 2.2 does not apply to an issuer-restricted person in connection with,

(a) the exercise of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the issuer-restricted period;

(b) a bid or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace ~~in~~on which the bid or purchase is entered or executed;

(c) an issuer bid described in clauses 93(3)(a) through (d) of the Act if the issuer did not solicit the sale of the securities sold under those clauses; ~~or~~

(d) ~~if the prohibition is due~~the solicitation of the tender of securities to a securities exchange take-over bid or ~~an issuer bid, the solicitation of acceptances of that bid by the offeror~~issuer bid; or

(e) a subscription for or purchase of an offered security pursuant to a public distribution**.**

PART 4 RESEARCH REPORTS

4.1 Compilations and Industry Research - Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any information, opinion, or recommendation relating to the issuer of a restricted security provided that~~,~~ such information, opinion or recommendation,

(a) ~~such information, opinion or recommendation~~ is contained in a publication which:

(i) is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person~~;~~, and

(ii) ~~(b) such information, opinion or recommendation~~ includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by ~~each such~~the dealer-restricted person; and

(b) ~~(c) such information, opinion or recommendation~~ is given no materially greater space or prominence in such publication than that given to other securities or issuers~~; and~~.

~~(d) an opinion or recommendation as favourable or more favourable as to the issuer or any class of its securities was published by the dealer restricted person in the last publication of such dealer restricted person addressing the issuer or its securities prior to the commencement of participation in the distribution.~~

~~4.2 Issuers of Exempt Securities~~

~~Despite section 53 of the Act and section 2.1, a dealer restricted person may publish or disseminate any information, opinion, or recommendation relating to the issuer of a restricted security referred to in clause 3.2(b) provided that such information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of the business of the dealer-restricted person .~~

PART 5 EXEMPTION

5.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

COMPANION POLICY 48-501CP – TO RULE 48-501
TRADING DURING DISTRIBUTIONS,
FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS

PART 1 – INTRODUCTION

1.1 **Purpose** – Ontario Securities Commission Rule 48-501 Trading during Distributions, Formal Bids and Share Exchange Transactions (the "Rule") imposes trading restrictions on dealers, issuers and certain related parties involved in a distribution of securities, take-over bids and certain other transactions. The Rule generally prohibits purchases of or bids for restricted securities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. This Companion Policy sets out the views of the Ontario Securities Commission (the "Commission") as to the interpretation of various terms and provisions in the Rule.

PART 2 – DEFINITIONS

2.1 **"connected security"** – The definition of "connected security" in section 1.1 of the Rule includes, among other things, a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may *significantly determine* the value of the offered security. The Commission takes the view that, absent other mitigating factors, a connected security "significantly determines" the value of the offered security, if, in whole or in part, it accounts for more than 25% of the value of the offered security.

2.2 **"exchange-traded fund"** – Section 1.1 of the Rule defines an "exchange-traded fund", in part, as a mutual fund designated by the Director as an exchange-traded fund for the purposes of the Rule. As guidance, an exchange-traded fund may be designated by the Director where it is determined that it would be difficult to manipulate the price of units or shares of the mutual fund. The following factors would be considered in determining whether a mutual fund would be difficult to manipulate: (a) the redemption features and whether they cause the market price to be tied to the net asset value; and (b) the transparency of the fund or underlying assets of the fund. Application for such designation should be made to the Commission prior to or at the time of filing the prospectus.

PART 3 – RESTRICTED PERSONS

3.1 **Meaning of "acting jointly or in concert"** – The definitions of "dealer-restricted person" and "issuer-restricted person" in section 1.1 of the Rule include a person or company acting jointly or in concert with a person or company that is also a dealer-restricted person or an issuer-restricted person for a particular transaction. For the purposes of the Rule, "acting jointly or in concert" has a similar meaning to that phrase as defined in section 91 of the Act, with necessary modifications. In the context of this Rule only, it is a question of fact whether a person or company is acting jointly or in concert with a dealer-restricted person or issuer-restricted person and, without limiting the generality of the foregoing, every person or company who, as a result of an agreement, commitment or understanding, whether formal or informal, with a dealer-restricted person or an issuer-restricted person, bids for or purchases a restricted security will be presumed to be acting jointly or in concert with such dealer-restricted person or issuer-restricted person.

3.2 **Exclusion of "related party"** – The definition of "dealer-restricted person" in clause 1.1(b) excludes a related entity where certain conditions are met. Subclause (i)(B) requires the dealer to obtain an annual assessment of the operation of the policies and procedures referred to in subclause (i)(A). In the Commission's view, this assessment may be conducted as part of the annual policy and procedure review of the supervision system as required by Policy 7.1 of the Universal Market Integrity Rules.

PART 4 – MARKETPLACE AND MARKETPLACE RULES

4.1 **Meaning of "marketplace"** – In this Rule, marketplace means a recognized marketplace as ascribed to that term in section 1.1 of National Instrument 21-101 – *Marketplace Operation*.

4.2 **Meaning of "marketplace rules"** – Marketplace rules refer to the rules, policies and other similar instruments adopted by a recognized stock exchange or recognized quotation and trade reporting system as approved by the applicable securities regulatory authority but not including any rules, policies or other similar instruments relating solely to the listing of securities on a stock exchange or to the quoting of securities on a quotation and trade reporting system.

PART 5 - EXEMPTIONS

5.1 **Fraud and Manipulation** – Provisions against manipulation and fraud are found in securities legislation, specifically, Part 3 of National Instrument 23-101 – *Trading Rules* (NI 23-101) and section 126.1 of the *Securities Act* (Ontario) (when that provision comes into force). NI 23-101 prohibits manipulative or deceptive trading, including activities that may create misleading pricing or trading activity that is detrimental to investors and the integrity of the markets. The

Rule specifically prohibits certain trading activities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. The Rule also provides certain exemptions to permit purchases and bids in situations where there is no, or a very low, possibility of manipulation. However, the Commission is of the view that notwithstanding that certain trading activities are permitted under the Rule these activities continue to be subject to the general provisions relating to manipulation and fraud found in securities legislation such that any activities carried out in accordance with the Rule must still meet the spirit of the general anti-manipulation and anti-fraud provisions.

5.2 **Market Stabilization and Market Balancing** – Subsection 3.1(1) of NI 23-101 prohibits manipulation or fraud which includes, among other things, a transaction or series of transactions that a person or company knows, or ought reasonably to have known, would contribute to a misleading appearance of trading activity or an artificial price for a security. Companion Policy 23-101CP to NI 23-101 states that the Canadian securities regulatory authorities do not consider market stabilization activities carried out in connection with a distribution of securities to be activities in breach of subsection 3.1(1) provided such activities are carried out in accordance with applicable marketplace rules or provisions of securities legislation that permit market stabilization activities. Clause 3.1(1)(a) of the Rule provides dealer-restricted persons with an exemption for market stabilization and market balancing activities subject to price limitations. Market stabilization and market balancing activities should be engaged in for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interest for a restricted security.

The Commission considers it to be inappropriate for a dealer to engage in market stabilization activities in circumstances where dealer knows or should reasonably know that the market price is not fairly and properly determined by supply and demand. This might exist where, for example, the dealer is aware that the market price is a result of inappropriate activity by a market participant or that there is undisclosed material information regarding the issuer.

Market balancing activities should contribute to a fair and orderly market by contributing to price continuity and depth and by minimizing supply-demand disparity. Market balancing does not seek to prevent or unduly retard any price movements, but merely to prevent erratic or disorderly changes in price.

5.3 **Short-position Exemption** – Subclause 3.1(1)(h) provides an exemption from the Rule for a dealer-restricted person in connection with a bid for or purchase to cover a short position provided it was entered into before the commencement of the dealer-restricted period. Short positions entered into during the dealer-restricted period may be covered by purchases made in reliance upon the market stabilization exemption in clause 3.1(1)(a), subject to the price limits set out in that exemption.

PART 6 – RESEARCH

6.1 **Section 53 of the Act** – Section 4.1 of the Rule provides an exemption from section 53 of the Act which prohibits providing research that in the Commission's view constitutes an act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of a trade prior to the filing and receipt of the preliminary prospectus and prospectus. The Commission is of the view that section 4.1 does not permit dealers to disseminate research reports where the dealer or the analyst covering the issuer of the offered security or any other representative of the dealer is in possession of material information regarding the issuer that has not been publicly disclosed.

6.2 **Meaning of "reasonable regularity"** – Section 4.1 of the Rule provides circumstances where a dealer-restricted person may publish or disseminate information, an opinion, or a recommendation relating to the issuer of a restricted security. Subclause 4.1(a)(i) requires that the information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person. The Commission considers that it is a question of fact whether a publication was disseminated "with reasonable regularity" and whether it was in the "normal course of business". A research publication would not likely be considered to have been published with reasonable regularity if it had not been published within the previous twelve month period or there had been no coverage of the issuer within the previous twelve month period. The nature and extent of the published information should also be consistent with prior publications and the dealer should not undertake new initiatives in the context of the distribution. For example, the inclusion of projections of issuers' earnings and revenues would likely only be permitted if they had previously been included on a regular basis. In considering whether it was "in the normal course of business", the Commission may consider the distribution channels. The research should be distributed through the dealer-restricted person's usual research distribution channels and should not be targeted or distributed specifically to prospective investors in the distribution as part of a marketing effort. However, the research may be distributed to a prospective investor if that investor was previously on the mailing list for the research publication.

6.3 **Meaning of "similar coverage" and of "substantial number of companies"** – Subclause 4.1(a)(ii) of the Rule requires that the information, opinion or recommendation includes similar coverage in the form of information, opinions

or recommendations with respect to a substantial number of issuers in the issuer's industry. This should not be interpreted as requiring that the opinions and recommendations relating to the issuer and other issuers in the issuer's industry must be similar or the same. In this context, in determining what is a "substantial number of issuers", reference should be made to the relevant industry. Generally, the Commission would consider a minimum of six issuers to be a sufficient number. However, where there are less than six issuers in an industry, then all issuers should be included in the research report. In any event the number of issuers should not be less than three.

This page intentionally left blank

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
12-Aug-2004	Biotech Breakthrough Fund (I) Inc.	2052128 Ontario Inc. - Common Shares	1,000,000.00	100.00
19-Aug-2004	Biotech Breakthrough Fund (I) Inc.	2052128 Ontario Inc. - Preferred Shares	1,000,000.00	999,900.00
31-Aug-2004	3 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	4,919.11	7.00
24-Aug-2004	15 Purchasers	Antrim Energy Inc. - Units	4,888,976.00	3,055,610.00
27-Aug-2004	3 Purchasers	Cangold Limited - Flow-Through Shares	1,000,000.00	5,000,000.00
20-Aug-2004 to 31-Aug-2004	4 Purchasers	Corona Gold Corporation - Units	200,000.00	432,000.00
20-Aug-2004	Wellington Financial L.P. II	CriticalControl Solutions Corp. - Debentures	2,700,000.00	2,700,000.00
16-Aug-2004	Credit Risk Advisors L.P.	Crompton Corporation - Notes	1,307,600.00	1,000.00
12-Aug-2004	35 Purchasers	Easton Drilling Fund L.P. - Limited Partnership Units	2,638,260.00	351,768.00
30-Aug-2004	Gazit 2003 Inc.	First Capital Realty Inc. - Common Shares	24,960,000.00	1,560,000.00
23-Aug-2004	3 Purchasers	Galantas Gold Corporation - Units	15,750.00	105,000.00
27-Aug-2004	6 Purchasers	Golden Harker Exploration Limited - Units	100,000.00	20.00
31-Aug-2004	3264389 Canada Inc.	Groupe Bocenor Inc. - Common Shares	7,000,000.04	31,818,182.00
18-Aug-2004	5 Purchasers	Indicator Minerals Inc. - Flow-Through Shares	674,000.00	1,685,000.00
31-Aug-2004	TD Capital Private Equity TD Parallel Private Equity Investors Ltd.	Jefferson Partners Technology Fund L.P. - Units	102,298.49	1.00
31-Aug-2004	Hennessy Griffin Family Trust	KBSH Private - Money Market Fund - Units	647,000.00	64,700.00
06-Aug-2004	Andy & Vera Penuvchev	Mastercore System Ltd. - Units	32,745.00	3.00

02-Aug-2004	Cathy Posluns	MCAN Performance Strategies - Limited Partnership Units	100,000.00	900.00
31-Aug-2004	3 Purchasers	MDC Partners Inc. - Shares	1,749,998.04	125,628.00
19-Aug-2004	The Manufacturers Life Insurance Company	Mount Copper Wind Power Energy Inc. - Notes	18,952,941.00	1.00
20-Aug-2004	Manufacturers Life Insurance Co.	Oiler Acquisition Corp. - Notes	194,655.00	194,655.00
24-Aug-2004	UBS Global Asset Management	ORTHOsoft Holdings Inc. - Common Shares	1,500,000.00	1,500,000.00
24-Aug-2004	18 Purchasers	ORTHOsoft Holdings Inc. - Units	5,979,000.00	5,979,000.00
24-Aug-2004	McCutcheon Limited	ORTHOsoft Holdings Inc. - Warrants	366,396.00	366,396.00
17-Aug-2004	David Hayles Dirk Becker	Oxford Investments Holdings Inc. - Common Shares	14,696.80	20,500.00
07-Sep-2004	4 Purchasers	PenRetail III Limited Partnership - Units	90,000,000.00	90,000.00
27-Aug-2004	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	24,708.34	3,492.00
19-Aug-2004	Ben Kaak Gregory Aarssen	RepeatSeat Inc. - Units	75,000.00	93,750.00
02-Sep-2004	ZED Financial Partners	St Andrew Goldfields Ltd - Common Shares	0.00	456,522.00
24-Aug-2004 to 02-Sep-2004	14 Purchasers	St Andrew Goldfields Ltd - Flow-Through Shares	6,469,886.89	28,129,943.00
02-Sep-2004	ZED Financial Partners	St Andrew Goldfields Ltd - Warrants	0.00	1,687,796.00
01-Sep-2004	Bradley L. Jones	Stealth Minerals Limited - Stock Option	0.30	85,000.00
02-Sep-2004	Ms. Monica Rosenthal Mr. Stuart McCormack	The Strand Tandem Investment Trust - Trust Units	115,000.00	23.00
16-Aug-2004	MG Stratum Fund III, L.P. Edgestone Capital Mezzanine Fund II, L.P.	THL-PMPL Holding Corp. - Common Shares	4,163,047.32	138,515.00
16-Aug-2004	MG Stratum Fund III, L.P. Edgestone Capital Mezzanine Fund II, L.P.	THL-PMPL Holding Corp. - Notes	34,997,856.00	26,720,000.00
16-Aug-2004	MG Stratum Fund III, L.P. Edgestone Capital Mezzanine Fund II, L.P.	THL-PMPL Holding Corp. - Warrants	4,163,047.32	28,376.00
28-May-2004	RMP Athletic Locker Ltd.	UMBRO PLC - Common Shares	500,640.00	200,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Cominar Real Estate Investment Trust
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
$100,000,000 Series A 6.30% Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Scotia Capital Inc.
Desjardins Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #687001

Issuer Name:
Creststreet Managed Equity Index Class
Creststreet Managed Income Class
Creststreet Resource Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 2, 2004
Mutual Reliance Review System Receipt dated September 7, 2004
Offering Price and Description:
Series A and B Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Creststreet Asset Management Limited
Project #687708

Issuer Name:
EnCana Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
US$2,000,000,000
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #686926

Issuer Name:
EnerVest Diversified Income Trust
Principal Regulator – Alberta
Type and Date:
Preliminary Short Form Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
$25,000,000 Minimum (* Units)
$200,000,000 Maximum (* Units)
EXCHANGE OFFER
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
Promoter(s):
-
Project #687716

Issuer Name:
FairPoint Communications, Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated dated Preliminary Prospectus September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
US$ million (C$ million) Income Deposit Securities (IDSs)
US$33.0 million % Senior Subordinated Notes due 2019
Price: US$ (C$) per IDS % of stated principal amount per Senior Subordinated Note due 2019
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Citigroup Global Markets Canada Inc.
Deutsche Bank Securities Ltd.
Banc of America Securities Canada Co.
Credit Suisse First Boston Canada Inc.
RBC Dominion Securities Inc.
UBS Securities Canada Inc.
Promoter(s):
-
Project #661004

Issuer Name:
Front Street Performance Fund II
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
* - * Units
Price : $10.00 per Unit
Minimum purchase : 500 Units
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
First Associates Investments Inc.
Raymond James Ltd.
Berkshire Securities Inc.
GMP Securities Ltd.
Tuscarora Capital Inc.
Wellington West Capital Inc.
Promoter(s):
-
Project #687597

Issuer Name:
frontierAltRefco Managed Futures Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
Initial Offering Price: $10 per Unit
Continuous Offering Price: Net Asset Value per Unit
Minimum Initial Purchase: $5,000 initially and $500 subsequently
Underwriter(s) or Distributor(s):
-
Promoter(s):
frontierAlt Investment Management Corporation
Refco Futures (Canada) Ltd.
Project #687579

Issuer Name:
Gateway Casinos Income Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
$113,611,695
6,567,150 Units
Price: $17.30 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
First Associates Investments Inc.
Scotia Capital Inc.
Sprott Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #686992

Issuer Name:
Legg Mason Canadian Growth Equity Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated August 31, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
Legg Mason Canada Inc.
Promoter(s):
-
Project #686827

Issuer Name:
Marifil Mines Limited
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated August 28, 2004
Mutual Reliance Review System Receipt dated September 2, 2004
Offering Price and Description:
$ * - * Units
Price: $ * per Unit
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
John Hite
Project #687166

Issuer Name:
Mavrix Resource Fund 2004 - II Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 31, 2004
Mutual Reliance Review System Receipt dated September 2, 2004
Offering Price and Description:
Maximum offering: $50,000,000 (5,000,000 Units)
Minimum offering: $5,000,000 (500,000 Units)
Minimum Subscription: 250 Units
Subscription Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
National Bank Financial Inc.
TD Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Berkshire Securities Inc.
GMP Securities Ltd.
McFarlane Gordon Inc.
Wellington West Capital Inc.
Union Securities Limited
Promoter(s):
Mavrix Resource Fund 2004 - II Management Limited
Mavrix Fund Management Inc.
Project #687234

Issuer Name:
Mawson Resources Limited
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 7, 2004
Offering Price and Description:
3,250,000 Units and 3,000,000 Common Shares to be issued on the Exercise of 3,000,000 Special Warrants
Public Offering of $1,300,000
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Michael Hudson
Project #687791

Issuer Name:
Queenstake Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated August 31, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
34,254,000 Common Shares and 17,127,000 Warrants Issuable Upon Exercise of Special Warrants
Price: $0.50 per Special Warrant
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
Westwind Partners Inc.
Loewen Ondaatje McCutcheon Limited
Promoter(s):
-
Project #687087

Issuer Name:
Redwood Diversified Income Fund
Redwood Diversified Equity Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 3, 2004
Mutual Reliance Review System Receipt dated September 7, 2004
Offering Price and Description:
Offering A and O Units
Underwriter(s) or Distributor(s):
Redwood Asset Management Inc.
Promoter(s):
Redwood Asset Management Inc.
Project #687745

Issuer Name:
ROC Pref II Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 31, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
$ * Maximum (* Preferred Shares)
$25.00 per Preferred Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
TD Securities Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
First Associates Investments Inc.
Raymond James Ltd.
Berkshire Securities Inc.
Wellington West Capital Inc.
Promoter(s):
Connor, Clark & Lunn Capital Markets Inc.
Project #686787

Issuer Name:
Skylon All Asset Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 2, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
$ * Maximum - * Units
Price: $25.00 per Unit
Minimum Purchase: 100 Units
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
Richardson Partners Financial Limited
Wellington West Capital Inc.
Promoter(s):
Skylon Advisor Inc.
Project #687576

Issuer Name:
West Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
$28,564,025 - 16,322,300 Common Shares issuable upon exercise of 16,322,300 Special Warrants
Price: $1.75 per Special Warrant
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
FirstEnergy Capital Corp.
CIBC World Markets Inc.
Promoter(s):
Michael A. Columbos
Ken MeCagherty
Project #687771

Issuer Name:
Xerium Technologies, Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
U.S. $ million (C$ million)
40,625,000 INCOME DEPOSIT SECURITIES (IDSs)
U.S. $52.4 million % Senior Subordinated Notes due 2019
Price: US$ (C$) per IDS
% Principal Amount per Senior Subordinated Note due 2019
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
-
Project #687593

Issuer Name:
Advantage Energy Income Fund
Principal Regulator – Alberta
Type and Date:
Final Short Form Prospectus dated September 3, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
$65,800,000.00 - 3,500,000 Subscription Receipts, each representing the right to receive one trust unit;
and $75,000,000.00 - 7.50% Extendible Convertible Unsecured Subordinated Debentures and
$50,000,000.00 - 75% Extendible Convertible Unsecured Subordinated Debentures Subscription Receipts
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
FirstEnergy Capital Corp.
Raymond James Ltd.
Promoter(s):
-
Project #682892

Issuer Name:
Capital St-Charles Inc.
Principal Regulator - Quebec
Type and Date:
Final CPC Prospectus dated August 30, 2004
Mutual Reliance Review System Receipt dated September 2, 2004
Offering Price and Description:
Offering: $1,000,000 or 2,000,000 Common Shares Price: $0.50 per common share
Underwriter(s) or Distributor(s):
CTI Capital Inc.
Desjardins Securities Inc.
Promoter(s):
Louis Lessard
Project #669942

Issuer Name:
Clarington U.S. Dividend Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
Series A and Series F Units @ net asset value
Underwriter(s) or Distributor(s):
ClaringtonFunds Inc.
ClaringtonFunds Inc.
Promoter(s):
ClaringtonFunds Inc.
Project #671269

Issuer Name:
Crescent Point Energy Trust
Principal Regulator – Alberta
Type and Date:
Final Short Form Prospectus dated September 2, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
$45,000,000.00 - 3,000,000 Trust Units Price: $15.00 per Trust Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
FirstEnergy Capital Corp.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
Orion Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #682085

Issuer Name:
Global Educational Trust Plan
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 23, 2004
Mutual Reliance Review System Receipt dated September 7, 2004
Offering Price and Description:
Units of the Global Educational Trust Plan
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #666199

Issuer Name:
Great-West Lifeco Inc.
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated September 1, 2004
Mutual Reliance Review System Receipt dated September 2, 2004
Offering Price and Description:
$300,000,000.00 - (12,000,000 shares) 5.20% Non-Cumulative First Preferred Shares, Series G Price: $25.00 per share to yield 5.20%
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #682451

Issuer Name:
Queensland Minerals Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated August 27, 2004
Mutual Reliance Review System Receipt dated September 1, 2004
Offering Price and Description:
$2,100,000.00 - 7,000,000 common shares at a price of $0.30 per Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Al S. Marton
Craig D. Thomas
Project #657117

Issuer Name:
RoyNat Canadian Diversified Fund Inc.
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated August 23, 2004 to Final Prospectus and Annual Information Form dated December 23, 2003
Mutual Reliance Review System Receipt dated September 2, 2004
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
CLac B.E.S.T. Sponsor Inc.
6154417 Canada Inc.
6154409 Canada Inc.
Project #585229

Issuer Name:
Synergy Global Momentum Sector Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 2, 2004 to Final Simplified Prospectus and Annual Information Form dated July 23, 2004
Mutual Reliance Review System Receipt dated September 3, 2004
Offering Price and Description:
Sector I Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #665295

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Arquebus Capital Inc.	Investment Counsel and Portfolio Manager	August 30, 2004
New Registration	Lytton Financial Inc.	Limited Market Dealer	Sept. 1, 2004
New Registration	Giverny Capital Inc.	Extra-Provincial Investment Counsel & Portfolio Manager	Sept. 1, 2004
New Registration	Stornoway Portfolio Management Inc.	Investment Counsel, Portfolio Manager and Limited Market Dealer	Sept. 1, 2004
New Registration	Pimco Advisors Managed Accounts LLC	Limited Market Dealer, Investment Counsel and Portfolio Manager, and Commodity Trading Manager	Sept. 2, 2004
New Registration	National Financial Services LLC	International Dealer	Sept. 2, 2004
Change in Category	Goldman Sachs Asset Management, L.P.	From: Non-Canadian Adviser (Investment Counsel & Portfolio Manager) To: Non-Canadian Adviser (Investment Counsel & Portfolio Manager) & Commodity Trading Manager (Non-Resident)	August 24, 2004

This page intentionally left blank

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Market Integrity Notice – Request for Comments – Amendments Respecting Trading During Certain Securities Transactions

September 10, 2004 No. 2004-024

MARKET REGULATION SERVICES INC.

REQUEST FOR COMMENTS

AMENDMENTS RESPECTING
TRADING DURING CERTAIN SECURITIES TRANSACTIONS

Summary

On August 29, 2003, Market Regulation Services Inc. ("RS") issued Market Integrity Notice 2003-018 requesting comment on amendments to the Universal Market Integrity Rules ("UMIR") to:

- combine prohibitions and restrictions relating to market stabilization and market balancing activities into a single rule;
- introduce exemptions from the prohibitions and restrictions relating to market stabilization and market balancing for trading in "highly-liquid" securities and exchange-traded funds; and
- harmonize the UMIR provisions governing restrictions and prohibitions on trading activities by Participants with the proposed rule of the Ontario Securities Commission ("OSC") governing the trading activities of dealers and parties connected to the issuer.

Concurrent with the publication of the Request for Comments in Market Integrity Notice 2003-018 on the proposed amendments to UMIR (the "Original Proposal"), the OSC published for comment at (2003) 26 OSCB 6157 proposed Ontario Securities Commission Rule 48-501 – Trading during Distributions, Formal Bids and Share Exchange Transactions (the "Original OSC Rule"). Based on the comments received, both RS and the OSC are proposing revisions to their original proposals. The text of the revised amendments to UMIR is set out in Appendix "A" to this Market Integrity Notice (the "Revised Proposal"). Appendix "B" compares the Revised Proposal with the revised version of OSC Rule 48-501 ("Revised OSC Rule") and highlights the changes from the Original Proposal and Original OSC Rule. Appendix "C" has been prepared jointly by staff of RS and the OSC and is a summary of the comments received on the original proposals together with the responses of RS and the OSC to those comments.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and, in Quebec, by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of the National Instrument 21-101 and National Instrument 23-101.

As a regulation services provider, RS will administer and enforce trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSX VN") and Canadian Trading and Quotation System, as recognized exchanges; and for Bloomberg Tradebook Canada Company and Liquidnet Canada Inc., as alternative trading systems.

The Rules Advisory Committee of RS ("RAC") reviewed the revised amendments respecting trading during certain securities transactions. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community. The Board of Directors of RS previously approved the proposed amendments to UMIR and authorized such revisions as were necessary to make the provisions of UMIR consistent with OSC Rule 48-501 as adopted.

The amendments to UMIR will be effective upon approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the Revised Proposal should be in writing and delivered by **November 9, 2004** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Summary of the Proposed Amendments as Revised

The Revised Proposal would impose prohibitions or restrictions on a "dealer-restricted person" trading in certain securities during a "restricted period". A dealer-restricted person is defined as including a Participant that has been retained as:

- an underwriter in public distribution (by prospectus or private placement) of that security or a connected security;
- a dealer-manager, manager, soliciting dealer or adviser in respect of a securities exchange takeover bid or issuer bid in which that security or a connected security is offered as consideration;
- a soliciting dealer or adviser in respect of the approval of an amalgamation, arrangement, capital reorganization or similar transaction.

In addition, a number of persons connected to the Participant will be considered to be a dealer-restricted person including:

- a related entity of the Participant;
- a dealer, a partner, director, officer, or employee of the Participant or a related entity of the Participant; and
- a person acting jointly or in concert with the Participant or one of the connected persons.

A restricted security is defined as:

- an offered security, which includes:
    - the listed security or quoted security that is the subject of a public distribution,
    - a security offered in a securities exchange take-over bid or an issuer bid, and
    - a security issuable pursuant to an amalgamation, arrangement, capital reorganization or similar transaction; or
- a connected security, which includes a listed or quoted security:
    - into which the offered security is immediately convertible, exchangeable or exercisable,

- that, by its terms, may significantly determine the value of the offered security,
- into which the offered security is exercisable, if the offered security is a special warrant, and
- that is an equity security of the issuer of the offered security.

During the restricted period (which, in the case of a public distribution, generally commences two days prior to the determination of pricing and ends on the completion of the selling process and, in the case of a take-over bid, issuer bid, amalgamation, arrangement, capital reorganization or similar transaction, commences on the date of circular or similar document and ends on the termination of the bid or transaction or the approval of the transaction), a dealer-restricted person is not permitted to bid for or purchase a restricted security or attempt to "induce or cause any person to purchase a restricted security". A number of exemptions apply including the ability to bid or purchase a restricted security:

- in the case of an offered security, at a price which does not exceed the lesser of:
  - the price at which the offered security will be issued if that price has been determined, and in every other circumstance, the last independent sale price, and
  - the highest bid at that time on a marketplace;
- in the case of a connected security, at a price which does not exceed the lesser of:
  - the highest bid on a marketplace at the commencement of the restricted period, and
  - the highest bid at that time on a marketplace;
- that is a "highly-liquid security" (being a security that trades an average of at least 100 times per day with an average trading value of $1,000,000 per trading day over a 60-day period) or an "Exchange-traded Fund" (being a mutual fund the securities of which are listed or quoted and in continuous distribution for the purposes of securities legislation) or a security subject to Regulation M of the United States Securities and Exchange Commission ("Reg. M") and is considered an "actively-traded security" for the purposes of Reg. M; and
- that is an unsolicited client order or a client order that was solicited prior to the commencement of the restricted period.

Exemptions are also provided for trades that are:

- basket trades (at least 10 securities with restricted securities comprising not more than 20% of the value of the transaction);
- Program Trades (undertaken in conjunction with a trade in a derivative in accordance with marketplace rules);
- rebalancing of portfolios based on index changes;
- arbitrage activities for inter-listed securities;
- activities pursuant to market maker obligations in accordance with marketplace rules; and
- activities undertaken by derivatives market makers.

Where permitted by applicable securities legislation, a dealer-restricted person may "attempt to induce or cause a person to purchase a restricted security" by:

- soliciting tenders to a take-over bid or issuer bid; and
- publishing or disseminating information, opinions or recommendations on any other restricted security if similar information opinions or recommendations are included on other issuers.

Subject to certain limited exemptions, a dealer-restricted person may not bid or purchase a restricted security during the applicable restricted period on behalf of an "issuer-restricted person" (which includes the issuer, a selling securityholder, an affiliated entity, an associated entity, an insider, an account over which any of these persons exercises direction or control, and any person acting jointly or in concert with any of these other persons).

Summary of Revisions to the Original Proposal

Based on comments received in response to the Request for Comments contained in Market Integrity Notice 2003-018 and based on comments received from the Recognizing Regulators, RS has revised the proposed amendments to UMIR respecting trading during certain securities transactions. The text of the Revised Proposal is set out in Appendix "A" and the revisions to the Original Proposal are highlighted in Appendix "B". The following is a summary of the significant revisions to the Original Proposal:

Definitions

- ***"basket trade"*** – The definition of a "basket trade" has been altered to reduce the number of listed securities or quoted securities required to 10 from 20 and to increase the proportion of value of the transaction that may be comprised of restricted securities from 10% to 20%.

- ***"best independent bid price"*** – The definition of "best independent bid price" replaces the concept of "independent bid" contained in the Original Proposal. The new definition means a dealer-restricted person may rely on the best bid price (which was already defined in UMIR and used in rules related to best execution) unless they know or ought reasonably to know that the best bid has been entered by or on behalf of a dealer-restricted person or an issuer-restricted person.

- ***"dealer-restricted person" –*** Under the Revised Proposal, the definition of a "dealer-restricted person" is expanded to include an agent in a prospectus or private placement that involves 10% or more of the issued and outstanding offered securities. Although an agent is not obligated to purchase securities that are being distributed, there is still the incentive to manipulate for the purpose of ensuring the success of the offering to compensate for the dealer's time and effort.

  In response to the Request for Comments, RS and the OSC received considerable comment that the inclusion of "related entities" of a dealer-restricted person was too sweeping. Under the Revised Proposal, the definition of "dealer-restricted person" has been amended to exclude related entities of a dealer and certain departments of divisions of the dealer, provided the dealer has in place policies and procedures in accordance with Rule 7.1 of UMIR that restrict the flow of information between the dealer and those entities and that the adequacy of those policies and procedures is reviewed annually.

  The Revised Proposal deletes an account over which a dealer-restricted person exercises direction or control from the definition of a "dealer-restricted person" and expands the prohibitions such that a dealer-restricted person may not make during the applicable restricted period a bid or purchase on behalf of such an account.

- ***"issuer-restricted person" -*** The Revised Proposal deletes an account over which an issuer-restricted person exercises direction or control from the definition of an "issuer-restricted person" and expands the prohibitions such that a dealer-restricted person may not make during the applicable restricted period a bid or purchase on behalf of such an account.

- ***"last independent sale price"*** – The definition of "last independent sale price" replaces the concept of "independent trade" contained in the Original Proposal. The new definition means a dealer-restricted person may rely on the last sale price (which was already defined in UMIR and used in various rules including provisions related to short sales) unless they know or ought reasonably to know that the bid that resulted in the trade which provided the last sale price has been entered by or on behalf of a dealer-restricted person or an issuer-restricted person.

- ***"maximum permitted stabilization price"*** – The Revised Proposal deletes the definition of the "maximum permitted stabilization price" and incorporates the price restrictions directly into the provisions regulating the exemptions from the prohibition on trading activity.

- ***"offered security"*** – The Revised Proposal clarifies that the definition of "offered security" includes only those securities which will be issued in a take-over bid or issuer bid for which a circular or similar document is required to be filed under securities legislation.

- ***"public distribution"*** – The Revised Proposal adopts a definition that includes a distribution by prospectus or private placement and deletes the specific reference to special warrants contained in the Original Proposal as such distributions are included within a reference to private placements. The Revised Proposal does not contain any provision for a "wide distribution" made pursuant to marketplace rules.

- ***"restricted period"*** – In the case of a public distribution of securities, the Revised Proposal standardizes the commencement of the restricted period at two trading days prior to the determination of the price of the offered security (thereby eliminating consideration of the date of the consent of the marketplace from a wide distribution or private placement as contained in the Original Proposal). The commencement of the restricted period for take-over bids, issuer bids, amalgamations, arrangements and capital reorganizations has been changed to the date of the circular in respect of the transaction rather than the date of the first public announcement of the transaction as proposed in the Original Proposal.

Prohibitions

- ***Bids or Purchases by a Dealer-Restricted Person*** – As a result of changes in the definition of "dealer-restricted person" under the Revised Proposal, the prohibitions on trading activity of a dealer-restricted person are expanded such that a dealer-restricted person may not make during the applicable restricted period a bid or purchase on behalf of an account over which a dealer-restricted person exercises direction or control.

- ***Acting for an Issuer-Restricted Person*** – As a result of changes in the definition of "issuer-restricted person" under the Revised Proposal, the prohibitions on a dealer-restricted person acting on behalf of an issuer-restricted person are expanded such that a dealer-restricted person may not make during the applicable restricted period a bid or purchase on behalf of an account over which an issuer-restricted person exercises direction or control.

Exemptions

- ***Market Stabilization and Market Balancing Exemption –*** With the deletion of the definition of "maximum permitted stabilization price" in the Revised Proposal, the price constraints on a bid or purchase of a restricted security are incorporated directly in the "market stabilization and market balancing exemption" contained in Rule 7.7(4)(a). The Revised Proposal clarifies that the exemption is only available for market stabilization or market balancing activities that is described as "a bid for or a purchase of a restricted security for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security..."

- ***Short Position Exemption -*** The Original Proposal contained an exemption permitting a dealer-restricted person to cover a short sale entered into prior to the restricted period subject to a maximum price of the lesser of the maximum permitted stabilization price or the highest independent bid. Under the Revised Proposal, the short position exemption is removed from the 'market stabilization' exemption and creates a separate exemption. In effect, for a short position entered into before the restricted period commenced there would be no price limit. A short position entered into during the restricted period, may covered by a purchase made in accordance with market stabilization exemption.

- ***Inter-listed Arbitrage –*** The Revised Proposal incorporates a specific exemption if a bid or purchase is made for an arbitrage account and the dealer-restricted person knows or has reasonable grounds to believe that a bid enabling the dealer-restricted person to cover the purchase is then available and the dealer-restricted person intends to accept such bid immediately.

Research Reports

- ***Single Issuer Reports –*** The Revised Proposal removes the exemption for research reports on a highly-liquid security or a unit of an Exchange-traded Fund.

- ***Recommendations –*** The Revised Proposal continues to allow compilation reports to be issued. In the case of compilation reports, the Revised Proposal deletes the requirement that the dealer-restricted person had made a recommendation as favourable or more favourable in the last publication of the report disseminated by the dealer-restricted person prior to the commencement of the restricted period. Comments were received that "constrained ratings" would be of limited use and potentially misleading.

Policies

The Revised Proposal contains various policies to assist in the interpretation of the UMIR provisions which are patterned on the Companion Policy 48-501 proposed by the OSC.

- ***Policy 1.1*** – The Policy expands on the interpretation of "connected security" and "Exchange-traded Fund", including setting out the criteria which RS would propose to apply in designating a security to be an "Exchange-traded Fund".

- ***Policy 1.2*** – The Policy provides an interpretation of "acting jointly or in concert".

- ***Policy 7.7*** – The Policy contains a number of parts, including:

  - ***Part 1 – Manipulative or Deceptive Activities*** – The Policy clarifies that any trading permitted under Rule 7.7 must nonetheless comply with requirements of Rule 2.2 on manipulative or deceptive activities and any other requirements imposed by applicable securities legislation.

  - ***Part 2 – Market Stabilization and Market Balancing*** – The Policy confirms that it is inappropriate to engage in market stabilization or market balancing activities when a Participant is aware that the current market price is a result of inappropriate activity by a market participant or that there is undisclosed material information regarding the issuer.

  - ***Part 3 – Short Position Exemption*** – The Policy confirms that any bids or purchases to cover a short position arising during the restricted period must be made in accordance with the price limitations contained in Rule 7.7(4)(a).

  - ***Part 4 – Research*** – The Policy provides guidance on the interpretation of whether a publication is disseminated "with reasonable regularity" and in the "normal course of business" and whether the research it contains is based on a "substantial number of issuers".

  - ***Part 5 - Trading Pursuant to Market Maker Obligations –*** The Policy confirms that "voluntary" trades made by a Market Maker that are not required to be executed in accordance with the Market Maker Obligations are subject to the price limitation contained in Rule 7.7(4)(a).

Continuing Differences Between the Revised Proposal and the Revised OSC Rule

Concurrent with the publication of this Market Integrity Notice requesting comment on the Revised Proposal, the OSC is publishing a Notice and Request for Comments regarding the adoption of the Revised OSC Rule and the rescission of paragraph 26 of OSC Policy 5.1 and OSC Policy 62-601.

It is intended that the provisions adopted under the UMIR will parallel the provisions included in OSC Rule 48-501. There will be minor differences in language and structure that reflect:

- the use of different defined terms and drafting protocols;

- the application of the UMIR provisions in all jurisdictions in which RS is recognized as a self-regulatory entity as compared to the application of OSC Rule 48-501 in Ontario only;

- the application of the UMIR provisions to listed securities and quoted securities as compared to the application of OSC Rule 48-501 to all securities; and

- the application of the UMIR provisions to Participants and Access Persons as compared to the application of OSC Rule 48-501 to all persons, including issuers and dealers.

It should be noted that clause 3.1(i) of the Revised OSC Rule would allow dealers to rely on exemptions contained in UMIR. In particular, the UMIR provisions allow a dealer-restricted person to bid or purchase a restricted security as part of:

- a basket trade;

- a Program Trade;

- rebalancing of portfolios based on index changes;

- arbitrage activities for inter-listed securities;

- activities pursuant to Market Maker Obligations; and

- activities undertaken by derivatives market makers.

As presently drafted, there are no substantive differences between the Revised Proposal and the Revised OSC Rule other than as a result of the four factors outlined above.

Specific Comments Requested

In the Notice and Request for Comments on the Revised OSC Rule, the OSC specifically requested comments on four aspects of the Revised OSC Rule including:

- a proposed "carve-out" for related parties under the definition of a "dealer-restricted person" similar to a provision under Reg. M;
- the proposed addition of agents in a substantial public distribution to the definition of a "dealer-restricted person";
- the proposed commencement of the "restricted period" on the date of the applicable circular rather than the date of dissemination of materials as provided for under Reg. M; and
- limiting purchases during the restricted period that are not otherwise exempted purchases which are done for the purpose of market stabilization or market balancing.

Given the intention that the approved amendments to UMIR will parallel the provisions of OSC Rule 48-501 as adopted, any comments made on the Revised OSC Rule will be directly or indirectly applicable to the UMIR amendments. Reference should be made to OSC Bulletin of September 10, 2004 for the discussion of the specific questions advanced by the OSC. (The Notice and Request for Comments is also available through the OSC website at www.osc.gov.on.ca under the heading "Rules, Policies, and Notices".)

Appendices

- Appendix "A" sets out the text of the amendments to UMIR to replace the current Rules 7.7 and 7.8.
- Appendix "B" is a table comparing the text of the Revised Proposal to that of the Revised OSC Rule. The text has been marked to reflect changes between the Original Proposal and the Revised Proposal and changes between the Original OSC Rule and the Revised OSC Rule.
- Appendix "C" contains a summary of the comments received by RS on the Original Proposal and by the OSC on the Original OSC Rule together with the joint response of RS and the OSC to each of the comments.

Questions

Questions concerning this notice may be directed to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900, P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Telephone: 416.646.7277
Fax: 416.646.7265
e-mail: james.twiss@rs.ca

ROSEMARY CHAN,
VICE PRESIDENT, MARKET POLICY AND GENERAL COUNSEL

APPENDIX "A"

Universal Market Integrity Rules

AMENDMENTS RESPECTING TRADING DURING CERTAIN SECURITIES TRANSACTIONS

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by deleting the definition of "restricted person".

2. Rule 1.1 is amended by deleting the definition of "offered security" and substituting the following:

"offered security" means all securities of the class of security that:

(a) is a listed security or quoted security of the class that is offered pursuant to a public distribution;

(b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation;

(c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation; or

(d) would be issuable to a securityholder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

provided that, if the security described in clauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered to be an "offered security".

3. Rule 1.1 is amended by adding the following definitions:

"basket trade" means a simultaneous purchase of at least 10 listed securities or quoted securities, provided that any restricted security comprises not more than 20% of the total value of the transaction.

"best independent bid price" means the best bid price, other than a bid that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.

"connected security" means, in respect of an offered security:

(a) a listed security or quoted security into which the offered security is immediately convertible, exchangeable or exercisable unless the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the listed security or quoted security at the commencement of the restricted period;

(b) a listed security or quoted security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security;

(c) if the offered security is a special warrant, a listed security or quoted security which would be issued on the exercise of the special warrant; and

(d) if the offered security is an equity security, any other equity security of the issuer that is a listed security or quoted security.

"dealer-restricted person" means, in respect of a particular restricted security:

(a) a Participant that:

(i) has been appointed by an issuer to be an underwriter in a public distribution,

(ii) is participating, as agent, in a public distribution of securities which would constitute more than 10% of the issued and outstanding offered securities,

(iii) has been appointed by an offeror to be the dealer-manager, manager or soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or

(iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction;

(b) a related entity of the Participant referred to in clause (a) but does not include such related entity, or any separate and distinct department or division of the Participant if:

(i) the Participant maintains and enforces written policies and procedures in accordance with Rule 7.1 that are reasonably designed to prevent the flow of information from the Participant regarding the offered security and the related transaction,

(ii) the Participant has no officers or employees that solicit client orders or recommend transactions in securities in common with the related entity, department or division, and

(iii) the related entity, department or division does not during the restricted period in connection with the restricted security:

(A) act as a market maker (other than pursuant to Market Maker Obligations),

(B) solicit client orders, or

(C) enter principal orders or otherwise engage in proprietary trading;

(c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity, of the Participant referred to in clause (a) or for a related entity of the Participant referred to in clause (b); or

(d) any person acting jointly or in concert with a person described in clause (a), (b) or (c) for a particular transaction.

"equity security" means any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.

"highly-liquid security" means a listed security or quoted security that:

(a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period:

(i) an average of at least 100 times per trading day, and

(ii) with an average trading value of at least $1,000,000 per trading day; or

(b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder.

"issuer-restricted person" means, in respect of a particular restricted security:

(a) the issuer of the offered security;

(b) a selling securityholder of the offered security in connection with a public distribution;

(c) an affiliated entity, an associated entity or insider of the issuer of the offered security as determined in accordance with the provisions of applicable securities legislation; or

(d) any person acting jointly or in concert with a person described in clause (a), (b) or (c) for a particular transaction.

"last independent sale price" means the last sale price of a trade, other than a trade that a dealer-restricted person knows or ought reasonably to know has been executed by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.

"public distribution" means a distribution of a security pursuant to:

(a) a prospectus; or

(b) a private placement.

"restricted period" means, for a dealer-restricted person or an issuer-restricted person, the period:

(a) in connection with a public distribution of any offered security, commencing two trading days prior to the day the offering price of the offered security is determined and ending on the date the selling process has ended and all stabilization arrangements relating to the offered security are terminated provided that, if the person is a dealer-restricted person, the period shall commence on the date the Participant enters into an agreement or reaches an understanding to participate in the public distribution of securities, whether or not the terms and conditions of such participation have been agreed upon if that date is later;

(b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of the securities exchange take-over bid circular or issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid; and

(c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of the information circular for such transaction and ending on the approval of the transaction by the securityholders that will receive the offered security or the termination of the transaction by the issuer or issuers.

"restricted security" means:

(a) the offered security; or

(b) any connected security.

4. Rule 1.2 is amended by adding the following subsections:

(6) For the purposes of the definition of "restricted period":

(a) the selling process shall be considered to end:

(i) in the case of a distribution pursuant to a prospectus, if a receipt has been issued for the final prospectus by the applicable securities regulatory authority and the Participant has allocated all of its portion of the securities to be distributed under the prospectus and delivered to each subscriber a copy of the prospectus as required by applicable securities legislation, and

(ii) in the case of a private placement, the Participant has allocated all of its portion of the securities to be distributed under the offering and delivered to each subscriber a copy of all offering documents required to be provided to subscribers in connection with such offering; and

(b) stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a Participant after the time of termination is not subject to the

stabilization arrangements or otherwise made jointly for the Participants that were party to the stabilization arrangements.

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

5. Rule 7.7 is deleted and the following substituted:

Trading During Certain Securities Transactions

(1) **Prohibitions -** Except as permitted, a dealer-restricted person shall not at any time during the restricted period:

(a) bid for or purchase a restricted security for an account:

(i) of a dealer-restricted person, or

(ii) over which the dealer-restricted person exercises direction or control; or

(b) attempt to induce or cause any person to purchase a restricted security.

(2) **Prohibitions on Acting for Issuer-Restricted Persons**

Except as permitted, if a dealer-restricted person knows or ought reasonably to know that a person is an issuer-restricted person, the dealer-restricted person shall not at any time during the restricted period applicable to a particular issuer-restricted person bid for or purchase a restricted security for the account of that issuer-restricted person or an account over which that issuer-restricted person exercises direction or control.

(3) **Deemed Recommencement of a Restricted Period -** If a Participant appointed to be an underwriter in a public distribution receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the Participant in connection with the public distribution then a restricted period shall be deemed to have commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the Participant has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.

(4) **Exemptions -** Subsection (1) does not apply to a dealer-restricted person in connection with:

(a) market stabilization or market balancing activities where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security provided that the bid or purchase is at a price which does not exceed the lesser of:

(i) in the case of an offered security:

(A) the price at which the offered security will be issued in a public distribution, if that price has been determined, and otherwise, the last independent sale price, and

(B) the best independent bid price at the time of the bid or purchase,

(ii) in the case of a connected security:

(A) the best independent bid price at the commencement of the restricted period, and

(B) the best independent bid price at the time of the bid or purchase,

provided that:

(iii) if the dealer-restricted person enters the bid prior to the commencement of trading on a trading day, the price also does not exceed the last sale price of the restricted security on the previous trading day, and

(iv) if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last trade of the security executed on an organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person;

(b) a restricted security that is:

(i) a highly-liquid security,

(ii) a unit of an Exchange-traded Fund, or

(iii) a connected security of a security referred to in subclause (i) or (ii);

(c) a bid or purchase by a dealer-restricted person on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is an issuer-restricted person provided that:

(i) the client order has not been solicited by the dealer-restricted person, or

(ii) if the client order was solicited, the solicitation by the dealer-restricted person occurred prior to the commencement of the restricted period;

(d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the restricted period;

(e) a bid for or purchase of a restricted security is made pursuant to a Small Securityholder Selling and Purchase Arrangement undertaken in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(f) the solicitation of a tender of securities to a securities exchange take-over bid or issuer bid;

(g) a subscription for or purchase of an offered security pursuant to a public distribution;

(h) a bid or purchase of a restricted security to cover a short position entered into prior to the commencement of the restricted period;

(i) a bid or purchase of a restricted security is solely for the purpose of rebalancing a portfolio, the composition of which is based on an index as designated by the Market Regulator, to reflect an adjustment made in the composition of the index;

(j) a purchase that is or a bid that on execution would be:

(i) a basket trade, or

(ii) a Program Trade; or

(k) a bid for a purchase of a restricted security for an arbitrage account and the dealer-restricted person knows or has reasonable grounds to believe that a bid enabling the dealer-restricted person to cover the purchase is then available and the dealer-restricted person intends to accept such bid immediately.

(5) **Exemptions on Acting for an Issuer-restricted Person -** Subsection (2) does not apply to a dealer-restricted person in connection with:

(a) the exercise by an issuer-restricted person of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the restricted period;

(b) a bid or purchase by an issuer-restricted person of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(c) an issuer bid described in clauses 93(3)(a) through (d) of the Securities Act (Ontario) or similar provisions of applicable securities legislation if the issuer did not solicit the sale of the securities sold under those provisions;

(d) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid; or

(e) a subscription for or purchase of an offered security pursuant to a public distribution.

(6) **Compilations and Industry Research**

Despite subsection (1), a dealer-restricted person may, if permitted in accordance with applicable securities legislation, publish or disseminate any information, opinion or recommendation relating to the issuer of a restricted security provided that such information, opinion or recommendation:

(a) is contained in a publication which:

(i) is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person, and

(ii) includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person; and

(b) is given no materially greater space or prominence in that publication than that given to other securities or issuers.

(7) **Transactions by Person with Market Maker Obligations**

Despite subsection (1), a dealer-restricted person with Market Maker Obligations for a restricted security may, for their market making trading account:

(a) with the prior approval of a Market Integrity Official, enter a bid to move the calculated opening price of a restricted security to a more reasonable level;

(b) purchase a restricted security pursuant to their Market Maker Obligations; and

(c) bid for or purchase a restricted security:

(i) that is traded on another market for the purpose of matching a higher-priced bid posted on such market,

(ii) that is convertible, exchangeable or exercisable into another listed security for the purpose of maintaining an appropriate conversion, exchange or exercise ratio, and

(iii) to cover a short position resulting from sales made under their Market Maker Obligations.

(8) **Transactions by the Derivatives Market Maker**

Despite subsection (1), a dealer-restricted person who is a derivatives market maker with responsibility for a derivative security the underlying interest of which is a restricted security may, for their derivatives market making trading account, bid for or purchase a restricted security if:

(a) the restricted security is the underlying security of the option for which the person is the specialist;

(b) there is not otherwise a suitable derivative hedge available; and

(c) such bid or purchase is:

(i) for the purpose of hedging a pre-existing options position,

(ii) reasonably contemporaneous with the trade in the option, and

(iiii) consistent with normal market-making practice.

(9) **Application of Exemptions to a Dealer-Restricted Person and Issuer-Restricted Person**

Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsections (4), (6), (7) and (8) continue to be available to the dealer-restricted person.

6. Rule 7.8 is deleted.

The Policies under the Universal Market Integrity Rules are hereby amended as follows:

1. The following is added as Policy 1.1:

Policy 1.1 - Definitions

Part 1 – Definition of "connected security"

The definition of a "connected security" includes, among other things, a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may "significantly determine" the value of the offered security. The Market Regulator takes the view that, absent other mitigating factors, a connected security "significantly determines" the value of the offered security, if, in whole or in part, it accounts for more than 25% of the value of the offered security.

Part 2 – Definition of "Exchange-traded Fund"

An "Exchange-traded Fund" is defined, in part, as a mutual fund designated by the Market Regulator as an exchange-traded fund for the purposes of the Rule. As guidance, an exchange-traded fund may be designated by the Market Regulator where it is determined that it would be difficult to manipulate the price of units of the mutual fund.

It would be the intention of the Market Regulator that the designation of a security would be done after consultation with the Ontario Securities Commission or other applicable securities regulatory authority. Acceptance of the designation by applicable securities regulatory authorities would be a pre-condition to any designation of a security as an "Exchange-traded Fund". Other factors which the Market Regulator would take into account are:

- the liquidity or public float of the security (or the underlying securities which comprise the portfolio of the mutual fund);
- whether the units are redeemable at any time for a "basket" of the underlying securities in addition to cash;
- whether a "basket" of the underlying securities may be exchanged at any time for units of the fund;
- whether the fund tracks a recognized index on which information is publicly disseminated and generally available through the financial media; and
- whether derivatives based on units of the fund, the underlying index or the underlying securities are listed on a marketplace.

None of these additional five factors is determinative in and of itself and each security will be evaluated on its own merits before a request is made to the applicable securities regulatory authority to concur in the designation.

2. The following is added as Policy 1.2:

Policy 1.2 - Interpretation

Part 1 – Meaning of "acting jointly or in concert"

The definitions of a "dealer-restricted person" and "issuer-restricted person" include a person acting jointly or in concert with a person that is also a dealer-restricted person or an issuer-restricted person, as applicable, for a particular

transaction. For the purposes of these definitions, "acting jointly or in concert" has a similar meaning to that phrase as defined in section 91 of the *Securities Act* (Ontario) or similar provisions of applicable securities legislation, with necessary modifications. In the context of these definitions only, it is a question of fact whether a person is acting jointly or in concert with a dealer- or issuer-restricted person and, without limiting the generality of the foregoing, every person who, as a result of an agreement, commitment or understanding, whether formal or informal, with a dealer-restricted person or an issuer-restricted person, bids for or purchases any restricted security will be presumed to be acting jointly or in concert with such dealer- or issuer-restricted person.

3. The following is added as Policy 7.7:

Policy 7.7 – Trading During Certain Securities Transactions

Part 1 – Manipulative or Deceptive Activity

Provisions prohibiting manipulative or deceptive trading, including activities that may create misleading pricing or trading activity that is detrimental to investors and the integrity of the markets, are contained in Rule 2.2. Rule 7.7 generally prohibits purchases of or bids for restricted securities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. Rule 7.7 also provides certain exemptions to permit purchases and bids in situations where there is no, or a very low possibility of manipulation. However, the Market Regulator is of the view that notwithstanding that certain trading activities are permitted under Rule 7.7, these activities continue to be subject to the general provisions relating to manipulative or deceptive trading in Rule 2.2 and the provisions on manipulation and fraud found in applicable securities legislation such that any activities carried out in accordance with Rule 7.7 must still meet the spirit of the general anti-manipulation provisions.

Part 2 - Market Stabilization and Market Balancing

Rule 7.7(4)(a) provides a dealer-restricted person with an exemption from the prohibitions in subsection (1) for market stabilization and market balancing activities subject to price limitations. Market stabilization and market balancing activities should be engaged in for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security.
The Market Regulator considers it to be inappropriate for a dealer to engage in market stabilization activities in circumstances where dealer knows or should reasonably know that the market price is not fairly and properly determined by supply and demand. This might exist where, for example, the dealer is aware that the market price is a result of inappropriate activity by a market participant or that there is undisclosed material information regarding the issuer.

Market balancing activities should contribute to a fair and orderly market by contributing to price continuity and depth and by minimizing supply-demand disparity. Market balancing does not seek to prevent or unduly retard any price movements, but merely to prevent erratic or disorderly changes in price.

Part 3 – Short Position Exemption

Rule 7.7(4)(h) provides an exemption from the prohibitions in subsection (1) for a dealer-restricted person in connection with a bid for or purchase to cover a short position provided that short position was entered into before the commencement of the restricted period. Short positions entered into during the restricted period may be covered by purchases made in reliance upon the market stabilization exemption in Rule 7.7(4)(a), subject to the price limits set out in that exemption. (See "Part 5 – Trading Pursuant to Market Maker Obligations" for a discussion of the ability of persons with Market Maker Obligations to cover short positions arising during the restricted period pursuant to their Market Maker Obligations.)

Part 4 – Research

The Market Regulator is of the view that section 4.1 of OSC Rule 48-501 does not permit dealers to disseminate research reports where the dealer or the analyst covering the issuer of the offered security or any other representative of the dealer is in possession of material information regarding the issuer that has not been publicly disclosed.

Rule 7.7(6) provides circumstances where a dealer-restricted person may publish or disseminate information, an opinion, or a recommendation relating to the issuer of a restricted security. The Rule requires that the information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person. The Market Regulator considers that it is a question of fact whether a publication was disseminated "with reasonable regularity" and whether it was in the "normal course of business". A research publication would not likely be considered to have been published with reasonable regularity if it had not been

published within the previous twelve month period or there had been no coverage of the issuer within the previous twelve month period. The nature and extent of the published information should also be consistent with prior publications and the dealer should not undertake new initiatives in the context of the distribution. For example, the inclusion of projections of issuers' earnings and revenues would likely only be permitted if they had previously been included on a regular basis. The Market Regulator may consider the distribution channels for the dissemination of the publication when considering whether a publication was "in the normal course of business". The research should be distributed through the dealer-restricted person's usual research distribution channels and should not be targeted or distributed specifically to prospective investors in the distribution as part of a marketing effort. However, the research may be distributed to a prospective investor if that investor was previously on the mailing list for the research publication.

Rule 7.7(6)(a) requires that the information, opinion or recommendation includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry. In this context, reference should be made to the relevant industry when determining what constitutes a "substantial number of issuers". Generally, the Market Regulator would consider a minimum of six issuers to be a sufficient number. However, where there are less than six issuers in an industry, then all issuers should be included in the research report, and in any event the number of issuers should not be less than three.

Part 5 – Trading Pursuant to Market Maker Obligations

Under Rule 7.7(7)(b), a dealer-restricted person with Market Maker Obligations for a restricted security may, for their market making trading account, purchase a restricted security pursuant to their Market Making Obligations. Not every purchase of a restricted security by a Market Maker will be considered to undertaken pursuant to their Market Making Obligations. For example, if a market making system of a marketplace permits a Market Maker to voluntarily participate in trades that participation may only result in purchases that are:

- made at prices which are permitted by Rule 7.7(4)(a); or
- to cover a short position resulting from sales made under their Market Maker Obligations.

Use of a voluntary participation feature in other circumstances, may result in the Market Maker not complying with the prohibitions or restrictions on trading under Rule 7.7.

"Market Maker Obligations" are defined as the obligations imposed by the rules of an Exchange or a QTRS on a member or user or a person employed by a member or user to guarantee:

- a two-sided market for a particular security on a continuous or reasonably continuous basis; and
- the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as designated by the marketplace.

As such, a Market Maker on the Toronto Stock Exchange will be entitled to make bids or purchases at prices above those permitted by Rule 7.7(4)(a) if the bid or purchase is required to satisfy:

- the spread goal commitments of the Market Maker;
- the minimum guaranteed fill obligation; or
- the obligation for the trading of odd lots.

Appendix "B"

PROPOSED OSC RULE 48-501 AND AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES

Comparison of Provisions

The following table sets out the text of:

- the Revised Proposal and is marked to reflect changes from the Original Proposal (published in Market Integrity Notice 2003-018 on August 29, 2003); and
- the Revised OSC Rule and is marked to reflect changes from the Original OSC Rule (published on August 29, 2003 at (2003) 26 OSCB 6157).

Changes resulting only from the re-ordering or renumbering of provisions have not been marked.

It is intended that the provisions adopted under the UMIR will parallel the provisions included in OSC Rule 48-501. There will be minor differences in language and structure that reflect:

- the use of different defined terms and drafting protocols;
- the application of the UMIR provisions in all jurisdictions in which RS is recognized as a self-regulatory entity as compared to the application of OSC Rule 48-501 in Ontario only;
- the application of the UMIR provisions to listed securities and quoted securities as compared to the application of OSC Rule 48-501 to all securities; and
- the application of the UMIR provisions to Participants and Access Persons as compared to the application of OSC Rule 48-501 to all persons, including issuers and dealers.

As presently drafted, there are no substantive differences between the Revised Proposal and the Revised OSC Rule other than as a result of the four factors outlined above.

It should be noted that clause 3.1(i) of the Revised OSC Rule would allow dealers to rely on exemptions contained in UMIR. In particular, the UMIR provisions allow a dealer-restricted person to bid or purchase a restricted security as part of:

- a basket trade;
- a Program Trade;
- rebalancing of portfolios based on index changes;
- arbitrage activities for inter-listed securities;
- activities pursuant to Market Maker Obligations; and
- activities undertaken by derivatives market makers.

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
Part 1 – Definitions **1.1 Definitions**	**Part 1 – Definitions and Interpretation** **1.1 Definitions**
	"basket trade" means a simultaneous purchase of at least ~~20~~10 listed securities or quoted securities, provided that any restricted security comprises not more than 20~~10~~% of the total value of the transaction.

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
"best independent bid price" means the highest bid price entered on a marketplace, other than a bid that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;	**"best independent bid price"** means the best bid price, other than a bid that a dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.
"connected security" means, in respect of an offered security, (a) a ~~listed security or quoted~~ security into which the offered security is immediately convertible, exchangeable or exercisable unless the security is a listed security or quoted security and the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the ~~listed security or quoted~~ security at the commencement of the restricted period, (b) a ~~listed security or quoted~~ security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security, (c) if the offered security is a special warrant, the ~~a listed security or quoted~~ security which would be issued on the exercise of the special warrant, and (d) if the offered security is an equity security, any other equity security of the issuer ~~that is a listed security or quoted security~~;	**"connected security"** means, in respect of an offered security: (a) a listed security or quoted security into which the offered security is immediately convertible, exchangeable or exercisable unless the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the listed security or quoted security at the commencement of the restricted period; (b) a listed security or quoted security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security; (c) if the offered security is a special warrant, a listed security or quoted security which would be issued on the exercise of the special warrant; and (d) if the offered security is an equity security, any other equity security of the issuer that is a listed security or quoted security.
"dealer-restricted period" means, for a dealer-restricted person, the period, (a) in connection with a public distribution of an offered security, commencing on the later of ~~the date~~ (i) the date two trading days prior to the day the offering price of the offered security is determined, and (ii) the date on which a dealer enters into an agreement or reaches an understanding to participate in the public distribution of securities ~~by a prospectus~~, whether or not the terms and conditions of such participation have been agreed upon, and ~~(ii) the date two trading days prior to the day,~~ ~~(A) the offering price of securities to be offered by a prospectus is determined,~~ ~~(B) the consent of the exchange or quotation and trade reporting system to the~~	**"restricted period"** means, for a dealer-restricted person or an issuer-restricted person, the period: (a) in connection with a public distribution of an offered security, commencing two trading days prior to the day the offering price of the offered security is determined and ~~(i) the offering price of securities to be offered by a prospectus is determined,~~ ~~(ii) the consent of the Exchange or QTRS to the distribution in the case of a wide distribution or private placement pursuant to the applicable Marketplace Rules, or~~ ~~(iii) the offering price of the special warrant is determined in the case of a distribution of special warrants, and~~ ending on the date the selling process ends and all stabilization arrangements relating~~ed~~ to the offered security are terminated provided that, if the person is a dealer-restricted person, the period shall commence on the date the applicable

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~distribution in the case of a wide distribution or private placement pursuant to the applicable marketplace rules, and~~ ~~(C) the offering price of the special warrant is determined in the case of a distribution of special warrants, and~~ ending on the date the selling process ends and all stabilization arrangements relating~~ed~~ to the offered security are terminated , (b) in connection with a securities exchange take-over bid or issuer bid, ~~from the first public announcement~~ commencing on the date of the ~~securities exchange~~ take-over bid circular, ~~or~~ issuer bid circular or similar document and ending with ~~until~~ the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid ~~is withdrawn~~, and (c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of the information circular for ~~from the first public announcement of~~ such transaction~~, until~~ and ending on the approval of the transaction by the securityholders that will receive the offered security or the termination of the transaction by the issuer or issuers;	Participant enters into an agreement or reaches an understanding to participate in the public distribution of securities by a prospectus, whether or not the terms and conditions of such participation have been agreed upon if that date is later ~~than the date determined in accordance with subclause (i), (ii) or (iii)~~; (b) in connection with a securities exchange take-over bid or issuer bid, ~~from the first public announcement~~ commencing on the date of the ~~securities exchange~~ take-over bid circular, ~~or~~ issuer bid circular or similar document and ending with ~~until~~ the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid ~~is withdrawn~~; and (c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of the information circular for ~~from the first public announcement of~~ such transaction~~, until~~ and ending on the approval of the transaction by the securityholders that will receive the offered security or the termination of the transaction by the issuer or issuers.
"dealer-restricted person" means, in respect of a particular restricted security (a) a ~~the~~ dealer that ~~appointed by~~ (i) has been appointed by an issuer to be an underwriter ~~involved~~ in a public distribution ~~but does not include a dealer that is part of the selling group only and is not obligated to purchase any of the distributed securities~~, (ii) is participating, as agent, in a public distribution of securities which would constitute more than 10% of the issued and outstanding offered securities, (iii) has been appointed by an offeror to be the dealer-manager, manager, soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or (iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that	**"dealer-restricted person"** means, in respect of a particular restricted security: (a) a~~the~~ Participant that~~appointed by~~: (i) has been appointed by an issuer to be an underwriter ~~involved~~ in a public distribution ~~but does not include a Participant that is part of the selling group only and is not obligated to purchase any of the distributed securities~~, (ii) is participating, as agent, in a public distribution of securities which would constitute more than 10% of the issued and outstanding offered securities, (iii) has been appointed by an offeror to be the dealer-manager, ~~or~~ manager or soliciting dealer or ~~restricted~~ adviser in respect of a securities exchange take-over bid or issuer bid, or (iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction that

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
would be a distribution exempt from prospectus requirements in accordance with applicable securities law, where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction, (b) a related entity of the dealer referred to in clause ~~paragraph~~ (a) but does not include such related entity, or any separate and distinct department or division of a dealer referred to in clause (a), where, (i) the dealer (A) maintains and enforces written policies and procedures reasonably designed to prevent the flow of information regarding any distribution or transaction referred to in clause (a) to or from the related entity, department or division, and (B) obtains an annual assessment of the operation of such policies and procedures, (ii) the dealer has no officers or employees that solicit orders or recommend transactions in securities in common with the related entity, department or division, and (iii) the related entity, department or division does not during the dealer-restricted period in connection with the restricted security: (A) act as a market maker (other than to meet its obligations under the rules of a recognized exchange), (B) solicit orders from clients, or (C) engage in proprietary trading; (c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity for the dealer referred to in clause ~~paragraph~~ (a) or for a related entity of the dealer referred to in clause (b), (d) any person or company acting jointly or in concert with a person or company described in clause ~~paragraphs~~ (a), (b) or (c) for a particular transaction; ~~or~~ ~~(e) an investment fund or account managed by a person or company described in paragraphs (a), (b), (c) or (d);~~	would result in the issuance of securities that would be a distribution ~~for the purposes of applicable securities law~~ exempt from prospectus requirements in accordance with applicable securities law, where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction; (b) a related entity of the Participant referred to in clause (a) but does not include such related entity, or any separate and distinct department or division of the Participant if: (i) the Participant maintains and enforces written policies and procedures in accordance with Rule 7.1 that are reasonably designed to prevent the flow of information from the Participant regarding the offered security and the related transaction, (ii) the Participant has no officers or employees that solicit client orders or recommend transactions in securities in common with the related entity, department or division, and (iii) the related entity, department or division does not during the restricted period in connection with the restricted security: (A) act as a market maker (other than pursuant to Market Maker Obligations), (B) solicit client orders, or (C) enter principal orders or otherwise engage in proprietary trading; (c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity, of the Participant referred to in clause (a) or for a related entity of the Participant referred to in clause (b); or ~~(d) an account over which a person described in clause (a), (b) or (c) exercises direction or control; or~~ (d) any person acting jointly or in concert with a person described in clause (a), (b) or ~~,~~ (c) ~~or (d)~~ for a particular transaction.

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
"exchange-traded fund" means a mutual fund, (a) the units of which are (i) ~~a~~ listed securit~~y~~ies or ~~a~~ quoted securit~~y~~ies, and (ii) in continuous distribution in accordance with applicable securities legislation, and (b) designated by the Director ~~Commission~~ as an exchange-traded fund for the purposes of this Rule ~~rule~~;	The term "Exchange-traded Fund" is presently defined in Rule 1.1 of UMIR as follows: **"Exchange-traded Fund"** means a mutual fund: (a) the units of which are: (i) a listed security or a quoted security, and (ii) in continuous distribution in accordance with applicable securities legislation; and (b) designated by the Market Regulator.
"highly-liquid security" means a listed security or quoted security that, (a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period, (i) an average of at least 100 times per trading day, and (ii) with an average trading value of at least $1,000,000 per trading day, or (b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder;	**"highly-liquid security"** means a listed security or quoted security that: (a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period: (i) an average of at least 100 times per trading day, and (ii) with an average trading value of at least $1,000,000 per trading day; or (b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder.
~~"independent bid" means an order, other than a special terms order, to buy entered on a marketplace by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person;~~	~~**"independent bid"** means an order, other than a Special Terms Order, to buy entered on a marketplace by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person.~~
~~"independent non-marketplace trade" means a trade executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market, of at least one standard trading unit made by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person;~~	~~**"independent non-marketplace trade"** means a trade executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market, but not including a marketplace, of at least one standard trading unit made by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person.~~
~~"independent trade" means a trade on a marketplace of at least one standard trading unit made by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person.~~	~~**"independent trade"** means a trade on a marketplace of at least one standard trading unit made by or on behalf of a person who is not a dealer-restricted person or an issuer-restricted person.~~
"issuer-restricted period" means, for an issuer-restricted person, the period, (a) in connection with a public distribution of an offered security, commencing on the date two trading days prior to the day the offering price of the offered security is determined, and	

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~(i) the offering price of securities to be offered by a prospectus is determined, or~~ ~~(ii) the consent of the exchange or quotation and trade reporting system to the distribution in the case of a wide distribution or private placement pursuant to the applicable marketplace rules, or~~ ~~(iii) the offering price of the special warrant is determined in the case of a distribution of special warrants, and~~ ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated, (b) in connection with a securities exchange take-over bid or issuer bid, ~~from the first public announcement~~ commencing on the date of the ~~securities exchange~~ take-over bid circular, ~~or~~ issuer bid circular or similar document and ending with ~~until~~ the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid ~~is withdrawn,~~ and (c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of the information circular for ~~from the first public announcement of~~ such transaction~~, until~~ and ending on the approval of the transaction by the securityholders that will receive the offered security or the termination of the transaction by the issuer or issuers;	
"issuer-restricted person" means, in respect of a particular restricted security, (a) the issuer of the offered security, (b) a selling securityholder of the offered security in connection with a public distribution, (c) an affiliated entity, associated entity or insider of the issuer of the offered security or the selling securityholder, or (d) any person or company acting jointly or in concert with the person or company described in ~~paragraphs~~ clauses (a), (b) or (c) for a particular transaction~~, or~~ ~~(e) an investment fund or account managed by a person or company described in paragraphs (a), (b), (c) or (d)~~;	**"issuer-restricted person"** means, in respect of a particular restricted security: (a) the issuer of the offered security; (b) a selling securityholder of the offered security in connection with a public distribution; (c) an affiliated entity, an associated entity or insider of the issuer of the offered security as determined in accordance with the provisions of applicable securities legislation; or ~~(d) an account over which a person described in clause (a), (b) or (c) exercises direction or control; or~~ (d) any person acting jointly or in concert with a person described in clause (a), (b)~~,~~ or (c) ~~or (d)~~ for a particular transaction.

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~"maximum permitted stabilization price" means,~~ ~~(a) for the offered security,~~ ~~(i) the price at which the offered security will be issued in a public distribution, if that price has been determined, or~~ ~~(ii) the price of the last independent trade, if~~ ~~(A) the price at which the offered security will be issued in a public distribution has not been determined including where the security will be issued pursuant to an at-the-market offering as permitted by National Instrument 44-101 *Short Form Prospectus Distributions* or OSC Rule 41-501 *General Prospectus Requirements* or any successor instrument, or~~ ~~(B) the offered security will be issued other than pursuant to a public distribution,~~ ~~(b) for a connected security, the highest price of an independent bid for that security at the commencement of the restricted period;~~	~~**"maximum permitted stabilization price"** means:~~ ~~(a) for the offered security:~~ ~~(i) the price at which the offered security will be issued in a public distribution, if that price has been determined, or~~ ~~(ii) the price of the last independent trade, if:~~ ~~(A) the price at which the offered security will be issued in a public distribution has not been determined including where the security will be issued pursuant to an at-the-market offering as permitted by National Instrument 44-101 *Short Form Prospectus Distributions* or OSC Rule 41-501 *General Prospectus Requirements* or any successor instrument, or~~ ~~(B) the offered security will be issued other than pursuant to a public distribution; and~~ ~~(b) for a connected security, the highest price of an independent bid for that security at the commencement of the restricted period.~~
"last independent sale price" means the last sale price of a trade on a market, other than a trade that a dealer-restricted person knows or ought reasonably to know has been executed by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person;	**"last independent sale price"** means the last sale price of a trade, other than a trade that a dealer-restricted person knows or ought reasonably to know has been executed by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person.
"offered security" means ~~the security~~ all securities of the class of security that (a) ~~that~~ is ~~a listed security or quoted security of the class that is the subject of~~ offered pursuant to a public distribution, (b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation, (c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation, or ~~and~~ (d) ~~that~~ would be issuable to a securityholder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus	**"offered security"** means ~~the security~~all securities of the class that: (a) ~~that~~ is a listed security or quoted security of the class that is ~~the~~ offered pursuant to~~subject of~~ a public distribution; (b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation; (c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation; or ~~and~~ (d) ~~that~~ would be issuable to a securityholder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from securityholders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
requirements in accordance with applicable securities law; provided that if the security referred to in clauses ~~paragraphs~~ (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered an offered security;	requirements in accordance with applicable securities law, provided that, if the security described in clauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered to be an "offered security".
"public distribution" means a distribution of a security pursuant to a prospectus or private placement; and ~~(a) a prospectus,~~ ~~(b) a wide distribution or private placement in accordance with the applicable marketplace rules, or~~ ~~(c) an offering of special warrants; and~~	**"public distribution"** means a distribution of any security pursuant to: (a) a prospectus; or (b) a ~~wide distribution or~~ private placement.~~; or~~ ~~(c) an offering of special warrants.~~
"restricted security" means the offered security or any connected security. ~~(a) the offered security, other than, in the case of a public distribution, those offered securities comprising the distribution; or~~ ~~(b) any connected security.~~	**"restricted security"** means: (a) the offered security;~~,~~ or (b) any connected security.
1.2 Interpretation	**1.2 Interpretation**
(1) Affiliated Entity – ~~A person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company.~~ The term "affiliated entity" has the meaning ascribed to that term in subsection 1.3(1) of National Instrument 21-101.	The term "affiliated entity" is interpreted in subsection 1.3(1) of National Instrument 21-101 and incorporated by reference pursuant to Rule 1.2(1)(b) of UMIR.
(2) Associated Entity – Where used to indicate a relationship with an entity, associated entity has the meaning ascribed to the term "associate" in subsection 1(1) of the Act and also includes any person or company of which the entity beneficially owns voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the person or company.	(7) Where used to indicate a relationship with an entity, associated entity has the meaning ascribed to the term "associate" in applicable securities legislation and also includes any person of which the entity beneficially owns voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the person.
~~(3) Controlled – For the purposes of the definition of "subsidiary entity", an entity is considered to be controlled by a person or company if~~ ~~(a) in the case of an entity that has directors~~ ~~(i) the person or company beneficially owns or exercises control or direction over voting securities of the entity carrying more than 50 per cent of the votes for the election of directors, and~~	

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the entity,~~ ~~(b) in the case of a partnership or other entity that does not have directors, other than a limited partnership, the person or company beneficially owns or exercises control or direction over more than 50 per cent of the voting interests in the partnership or other entity, or~~ ~~(c) in the case of an entity that is a limited partnership, the person or company is the general partner or controls the general partner within the meaning of clause paragraph (a) or (b).~~	
(3) Equity Security – An equity security is any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.	The amendment will add the definition of the term "equity security" in Rule 1.1 of UMIR: **"equity security"** means any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.
(4) Related Entity - In respect of dealer, a related entity is an affiliated entity of the dealer that ~~which~~ carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation.	The term "related entity" is presently defined in Rule 1.1 of UMIR as follows: **"related entity"** means, in respect of a particular person: (a) an affiliated entity of the particular person that carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and (b) a person who has been designated by a Market Regulator in accordance with subsection (3) of Rule 10.4 as a person who acts in conjunction with the particular person.
~~(6) Special Terms Order – An order is considered a special terms order if it is for the purchase or sale of a security~~ ~~(a) for less than a standard trading unit,~~ ~~(b) the execution of which is subject to a condition other than as to the price or date of settlement, or~~ ~~(c) that on execution would be settled on a date other than~~ ~~(i) the third business day following the date of the trade, or~~	

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~(ii) any settlement date determined in accordance with applicable marketplace rules.~~	
~~(7) Subsidiary Entity - A person or company is considered to be a subsidiary entity of another person or company if~~ ~~(a) it is controlled by~~ ~~(i) that other,~~ ~~(ii) that other and one or more persons or companies, each of which is controlled by that other, or~~ ~~(iii) two or more persons or companies, each of which is controlled by that other, or~~ ~~(b) it is a subsidiary entity of a person or company that is that other's subsidiary entity.~~	
(5) For the purposes of the definitions of "dealer-restricted period" and "issuer-restricted period": (a) the selling process shall be considered to end: (i) in the case of a distribution pursuant to a prospectus, if a receipt has been issued for the final prospectus and the dealer has allocated all of its portion of the securities to be distributed under the prospectus and delivered to each subscriber a copy of the prospectus as required by applicable securities legislation, and (ii) in the case of a private placement, the dealer has allocated all of its portion of the securities to be distributed under the offering and delivered to each subscriber a copy of all offering documents required to be provided to subscribers in connection with such offering; and (b) stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a dealer after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the dealers that were party to the stabilization arrangements.	(6) For the purposes of the definition of "restricted period": (a) the selling process shall be considered to end: (i) in the case of a distribution pursuant to a prospectus, if a receipt has been issued for the final prospectus by the applicable securities regulatory authority and the Participant has allocated all of its portion of the securities to be distributed under the prospectus~~ to subscribers~~ and delivered to each subscriber a copy of the prospectus as required by applicable securities legislation, and ~~(ii) in the case of a wide distribution, if trades which are the subject of the wide distribution have been executed on or reported to the Exchange or QTRS in respect of all of the offered securities, and~~ (ii) in the case of a private placement ~~offering of special warrants~~, the Participant has allocated all of its portion of the securities to be distributed under the offering ~~to subscribers~~ and ~~have~~ delivered to each subscriber a copy of all offering documents required to be provided to subscribers in connection with such offering; and (b) stabilization arrangements shall be considered to have terminated in the case of

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
	a syndicate of underwriters or agents when, in accordance with the syndicate~~ion~~ agreement, the lead underwriter or agent determines that the syndicate~~o~~ion agreement has been terminated such that any purchase or sale of a restricted security by a Participant after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the Participants that were party to the stabilization arrangements.
Part 2 – Restrictions	**Rule 7.7 – Trading During Certain Securities ~~Distributions, Formal Bids and Share Exchange~~ Transactions**
2.1 Dealer-restricted Person - Except as permitted under sections 3.1 and 4.1, a dealer-restricted person shall not at any time during the dealer-restricted period: (a) bid for or purchase a restricted security for an account of a dealer-restricted person, an account over which the dealer-restricted person exercises direction or control, or, except in accordance with section 3.2, an account which the dealer-restricted person knows or reasonably ought to know, is an account of an issuer-restricted person~~for its, his or her own account or any account in which it, he or she has a beneficial interest or in respect of which it, he or she exercises direction or control or for the account of an issuer-restricted person, or any account in which the issuer-restricted person has a beneficial interest or in respect of which it exercises direction or control~~, or (b) attempt to induce or cause any person or company to purchase any restricted security.	(1) **Prohibitions -** Except as permitted, a dealer-restricted person shall not at any time during the restricted period: (a) bid for or purchase a restricted security for an account: (i) of a dealer-restricted person,~~;~~ or (ii) over which the dealer-restricted person exercises direction or control; or (b) attempt to induce or cause any person to purchase a restricted security. (2) **Prohibitions on Acting for Issuer-Restricted Persons -** Except as permitted, if a dealer-restricted person knows or ought reasonably to know that a person is an issuer-restricted person, the~~a~~ dealer-restricted person shall not at any time during the restricted period applicable to a particular issuer-restricted person bid for or purchase a restricted security for the account of that issuer-restricted person or an account over which that issuer-restricted person exercises direction or control.
2.2 Issuer-restricted Person - Except as permitted under section 3.2, an issuer-restricted person shall not at any time during the issuer-restricted period: (a) bid for or purchase a restricted security for an account of an issuer-restricted person or an account over which the issuer-restricted person exercises direction or control ~~its, his or her own account or any account in which it has a beneficial interest~~, or (b) attempt to induce or cause any person or company to purchase any restricted security.	
2.3 Deemed Recommencement of a Restricted Period - If a dealer appointed to be an underwriter in a public distribution receives a notice or notices of the	(3) **Deemed Recommencement of a Restricted Period -** If a Participant appointed to be an underwriter in a public distribution receives a

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the dealer in connection with the public distribution then a dealer-restricted period and issuer-restricted period shall be deemed to have re-commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the dealer has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.	notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the Participant in connection with the public distribution then a restricted period shall be deemed to have re-commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the Participant has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.
Part 3 - Permitted Activities and Exemptions	
~~**3.1 Exemptions from Trading Restrictions -** Despite sections 2.1 and 2.2, a dealer-restricted person or an issuer-restricted person may bid for or purchase a restricted security in accordance with, or engage in activities referred to in this Part or Part 4 provided such activity is not engaged in for the purpose of creating a false or misleading appearance of actual or apparent active trading in, or artificially raising the price of, the restricted security.~~	
3.1 Exemptions - Dealer-restricted Persons - (1) Section 2.1 does not apply to a dealer-restricted person, in connection with, (a) market stabilization or market balancing activities where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security provided that~~if~~ the bid or purchase is ~~made~~ at a price which does not exceed the lesser of (i) ~~the maximum permitted stabilization price,~~ in the case of an offered security (A) the price at which the offered security will be issued in a public distribution, if that price has been determined, and otherwise, the last independent sale price, and (B) the best independent bid price at the time of the bid or purchase, (ii) ~~the highest independent bid then entered on a marketplace~~,in the case of a connected security (A) the best independent bid price at the commencement of the dealer-	(4) **Exemptions -** Subsection (1) does not apply to a dealer-restricted person in connection with: (a) market stabilization or market balancing activities where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security provided that ~~if~~ the bid or purchase is ~~made~~ at a price which does not exceed the lesser of: (i) ~~the maximum permitted stabilization price,~~ in the case of an offered security: (A) the price at which the offered security will be issued in a public distribution, if that price has been determined, and otherwise, the last independent sale price, and (B) the best independent bid price at the time of the bid or purchase, (ii) ~~the highest independent bid then entered on a marketplace~~,in the case of a connected security: (A) the best independent bid price the commencement of the restricted period, and

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
restricted period, and (B) the best independent bid price at the time of the bid or purchase, provided that: (iii) if the dealer-restricted person enters the bid prior to the commencement of trading on a trading day, the price also does not exceed the last sale price of the restricted security on the previous trading day, and (iv) if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last ~~independent non-marketplace~~ trade of the security executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person; ~~and~~ ~~(v) if the bid or purchase is to cover a short sale entered into prior to the dealer-restricted period or pursuant to market making obligations, the price is not subject to paragraph (ii);~~	(B) the best independent bid price at the time of the bid or purchase, provided that: (iii) if the dealer-restricted person enters the bid prior to the commencement of trading on a trading day, the price also does not exceed the last sale price of the restricted security on the previous trading day, and (iv) if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last ~~independent non-marketplace~~ trade of the security executed on an organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person that is a dealer-restricted person or an issuer-restricted person;~~, and(v) if the bid or purchase is to cover a short sale made prior to the commencement of the restricted period, the price is not subject to subclause (ii);~~
(b) a restricted security that is: (i) a highly-liquid security, (ii) a unit or share of an exchange-traded fund, or ~~(iii) a non-convertible debt security, non-convertible preferred share or asset-backed security that has an approved rating, or~~ (iii) a connected security of a security referred to in subclauses ~~paragraphs~~ (i) or~~,~~ (ii) ~~or (iii)~~;	(b) a restricted security that is: (i) a highly-liquid security, (ii) a unit of an Exchange-traded Fund, or (iii) a connected security of a security referred to in subclause (i) or (ii);
(c) a bid or purchase by a dealer-restricted person on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is a person or company that is an issuer-restricted person, provided that (i) the client's order was not solicited by the dealer-restricted person, or	(c) a bid or purchase by a ~~the~~ dealer-restricted person ~~that is a client order~~ on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is a person or company that is an issuer-restricted person, provided that~~the order~~: (i) the client order was~~has~~ not been

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
(ii) if the client's order was solicited, the solicitation occurred before the commencement of the dealer-restricted period;	solicited by the ~~Participant~~*d*ealer-restricted person, or, (ii) if the client order was solicited, the solicitation by the ~~Participant~~ dealer restricted person occurred prior to the commencement of the restricted period;
(d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the dealer-restricted period;	(d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the restricted period;
(e) a bid for or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;	(e) a bid for or purchase of a restricted security is made pursuant to a Small Securityholder Selling and Purchase Arrangement undertaken in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;
(f) ~~if the prohibition is due to a securities exchange take-over bid or an issuer bid, the solicitation of acceptances of that bid by the dealer.~~ the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid;	(f) ~~an attempt to induce or cause any person to purchase a restricted security if the attempt is~~ the solicitation of~~:~~ ~~(i)~~ the tender of securities to a securities exchange take-over bid or issuer bid~~, or~~ ~~(ii) a proxy in connection with securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction~~;
(g) a subscription for or purchase of an offered security pursuant to a public distribution;	(g) a subscription for or purchase of an offered security pursuant to a public distribution;~~.~~
(h) a bid or purchase of a restricted security to cover a short position entered into prior to the commencement of the dealer-restricted period; or	(h) a bid or purchase of a restricted security to cover a short position entered into prior to the commencement of the restricted period;
(i) a bid for or purchase of a restricted security ~~securities~~ if the bid or purchase is made through the facilities of a marketplace in accordance with applicable marketplace rules.~~;~~	(i) a bid or purchase of a restricted security solely for the purpose of rebalancing a portfolio, the composition of which is based on an index as designated by the Market Regulator, to reflect an adjustment made in the composition of the index;~~ or~~
	(j) a purchase that is or a bid that on execution would be: (i) a basket trade, or (ii) a Program Trade; or
	(k) a bid for a purchase of a restricted security for an arbitrage account and the dealer-restricted person knows or has reasonable grounds to believe that a bid enabling the

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
	dealer-restricted person to cover the purchase is then available and the dealer-restricted person intends to accept such bid immediately.
(2) Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsection (1) and section 4.1 continue to be available to the dealer-restricted person.	**(9) Application of Exemptions to a Dealer-Restricted Person and Issuer-Restricted Person** Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsections (4), (6), (7) and (8) continue to be available to the dealer-restricted person.
3.2 Exemptions - Issuer-restricted Persons Section 2.2 does not apply to an issuer-restricted person in connection with (a) the exercise of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the issuer-restricted period; (b) bid or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on ~~in~~ which the bid or purchase is entered or executed; (c) an issuer bid described in clauses 93(3)(a) through (d) of the Act if the issuer did not solicit the sale of the securities sold under those clauses; ~~or~~ (d) ~~if the prohibition is due to a securities exchange take-over bid or an issuer bid, the solicitation of acceptances of that bid by the offeror~~ the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid; or (e) a subscription for or purchase of an offered security pursuant to a public distribution.	**(5) Exemptions on Acting for an Issuer-restricted Person -** Subsection (2) does not apply to a dealer-restricted person in connection with: (a) the exercise by an issuer-restricted person of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the restricted period; (b) a bid or purchase by an issuer-restricted person of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on ~~in~~ which the bid or purchase is entered or executed; (c) an issuer bid described in clauses 93(3)(a) through (d) of the Securities Act (Ontario) or similar provisions of applicable securities legislation if the issuer did not solicit the sale of the securities sold under those provisions; (d) ~~an attempt to induce or cause any person to purchase a restricted security if the attempt is~~ the solicitation of~~:~~ ~~(i)~~ the tender of securities to a securities exchange take-over bid or issuer bid~~, or~~ ~~(ii) a proxy in connection with securityholder approval for an amalgamation, arrangement, capital reorganization or similar transaction~~; or (e) a subscription for or purchase of an offered security pursuant to a public distribution.
Part 4 - Research Reports	
4.1 Compilations and Industry Research Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any information, opinion, or recommendation relating to the	(6) **Compilations and Industry Research** Despite subsection (1), a dealer-restricted person may, if permitted in accordance with applicable securities legislation, publish or disseminate any

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
issuer of a restricted security provided that such information, opinion or recommendation, (a) ~~such information, opinion or recommendation~~ is contained in a publication which: (i) is disseminated with reasonable regularity in the normal course of business of the ~~issuer~~dealer-restricted person, and (ii) ~~such information, opinion or recommendation includes similar information, opinions or recommendations~~ includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person~~,~~; and (b) ~~such information, opinion or recommendation~~ is given no materially greater space or prominence in such publication than that given to other securities or issuers.~~; and~~ ~~(d) an opinion or recommendation as favourable or more favourable as to the issuer or any class of its securities was published by the dealer restricted person in the last publication of such dealer restricted person addressing the issuer or its securities prior to the commencement of participation in the distribution.~~	information, opinion, or recommendation relating to the issuer of a restricted security provided that such information, opinion or recommendation: (a) is contained in a publication which: (i) is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person, and (ii) includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person; and~~:~~ ~~(a) any information, opinion, or recommendation relating to the issuer of a restricted security if the restricted security is:~~ ~~(i) a highly-liquid security,~~ ~~(ii) a unit of an Exchange-traded Fund, or~~ ~~(iii) a connected security of a security referred to in subclause (i) or (ii); and~~ ~~(b) information, opinions or recommendations relating to the issuer of a restricted security in a research report or document that:~~ ~~(i) includes similar information, opinions or recommendations with respect to a substantial number of issuers in the same industry as the issuer of the restricted security or contain a comprehensive list of securities currently recommended by the restricted person, (ii)~~ (b) is given ~~gives the information, opinion or recommendation~~ no materially greater space or prominence in such publication than that given to other securities or issuers.~~, and~~ ~~(iii) contains an opinion or recommendation with respect to the issuer of the restricted security that is not more favourable than the opinion or recommendation that was contained in the research report or document addressing the issuer or its securities that was disseminated by the restricted person prior to the commencement of the restricted period.~~
~~**4.2 Issuers of Exempt Securities**~~ ~~Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any~~	

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
~~information, opinion, or recommendation relating to the issuer of a restricted security referred to in clause 3.2(b) provided that such information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of the business of the dealer restricted persons.~~	
	(7) **Transactions by Person with Market Maker Obligations** Despite subsection (1), a dealer-restricted person with Market Maker Obligations for a restricted security may, for their ~~registered~~ market making trading account: (a) with the prior approval of a Market Integrity Official, enter a bid to move the calculated opening price of a restricted security to a more reasonable level; (b) purchase a restricted security pursuant to their Market Maker Obligations; and (c) bid for or purchase a restricted security: (i) that is traded on another market for the purpose of matching a higher-priced bid posted on such market, (ii) that is convertible, exchangeable or exercisable into another listed security for the purpose of maintaining an appropriate conversion, exchange or exercise ratio, and (iii) to cover a short position resulting from sales made under their Market Maker Obligations.
	(8) **Transactions by the Derivatives Market Maker** Despite subsection (1), a restricted person who is a derivatives market maker with responsibility for a derivative security the underlying interest of which is a restricted security may, for their derivatives market making trading account, bid for or purchase a restricted security if: (a) the restricted security is the underlying security of the option for which the person is the specialist; (b) there is not otherwise a suitable derivative hedge available; and (c) such bid or purchase is: (i) for the purpose of hedging a pre-existing

OSC RULE 48-501 (marked to reflect changes from proposals as published in OSC Bulletin of August 29, 2003)	UNIVERSAL MARKET INTEGRITY RULES (marked to reflect changes from the proposals in Market Integrity Notice 2003-018)
	options position, (ii) reasonably contemporaneous with the trade in the option, and (iii) consistent with normal market-making practice.
Part 5 – Exemption	
5.1 Exemption The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.	The general exemptive relief under UMIR is set out in Rule 11.1(1) as follows: (1) A Market Regulator may exempt a specific transaction from the application of a Rule, if in the opinion of the Market Regulator, the provision of such exemption: (a) would not be contrary to the provisions of any applicable securities legislation and the regulation and rules thereunder; (b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and (c) is warranted after due consideration of the circumstances of the particular person or transaction.

Appendix "C"

PROPOSED OSC RULE 48-501 AND AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES

Joint Summary of Comments and Responses

RS and the OSC have prepared a joint summary of comments and responses in connection with proposed OSC Rule 48-501 and the UMIR Amendments. See Chapter 6 of this Bulletin for the Joint Summary of Comments and Responses.

13.1.2 Notice of Commission Approval – Housekeeping Amendment to MFDA Rule 3.5.1 Regarding Filing Requirements

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)

AMENDMENT TO MFDA RULE 3.5.1 REGARDING FILING REQUIREMENTS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved the amendment to MFDA Rule 3.5.1 regarding Filing Requirements. In addition, the Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendment. The amendment allows the MFDA members to file monthly financial reports at such other date as may be agreed with the MFDA. The amendment is housekeeping in nature. The description and a copy of the amendment is contained in Appendix "A".

APPENDIX "A"
MFDA NOTICE – HOUSEKEEPING AMENDMENT TO MFDA RULE 3.5.1 (FILING REQUIREMENTS)

Current Rule

Rule 3.5.1 currently provides that a Member must file monthly financial reports to the MFDA as at the end of each fiscal month.

Reasons for Amendment

The proposed amendment to MFDA Rule 3.5.1 was made to provide MFDA staff with the ability to allow Members to file monthly financial reports with respect to a period that may not coincide with the Member's fiscal month end. Some Members may be better able to report financial information at a date that differs from its fiscal month end, and this information may be more consistent with, and representative of, other MFDA Members. For example, an MFDA Member that is a partnership having a fiscal year end of January 1st for tax deferral reasons, may be better able to report as at calendar month ends, rather than its fiscal month ends. By allowing the Member to submit financial reports as at calendar month ends, more relevant information may be captured by the MFDA relating to the Membership as a whole. The proposed amendment will permit MFDA staff to exercise discretion in light of these factors, while still requiring the use of a consistent method of accounting and reporting by the Member.

Description of Amendment

The amendment will add the phrase "or at such other date as may be agreed with the Corporation" after the reference to the filing of the financial report of the Member as at the end of each fiscal month.

The amendment is housekeeping in nature in that it reflects changes in routine procedures and administrative practices of the MFDA and does not impose any significant burden or any barrier to competition that is not appropriate.

Comparison with Similar Provisions

The amendments to Rule 3.5.1(a) are consistent with monthly reporting requirements of IDA Members under IDA By-law 16.4(i).

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA Rule 3.5.1 (Filing Requirements – Monthly and Annual)

On June 18, 2004, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendment to Rule 3.5.1:

3.5.1 Monthly and Annual. Each Member shall:

(a) file monthly with the Corporation within 20 business days of the month's end a copy of a financial report of the Member as at the end of each fiscal month or at such other date as may be agreed with the Corporation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Corporation from time to time; and

(b) file annually with the Corporation two copies of the audited financial statements of the member as at the end of the Member's fiscal year or as at such other fixed date as may be agreed with the Corporation. Such statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Corporation may from time to time prescribe, and shall be filed through the member's auditor within 90 days of the date as of which such statements are required to be prepared;

13.1.3 IDA Disciplinary Hearing in the Matter of Maurice Guy Brazeau

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF MAURICE GUY BRAZEAU

September 8, 2004 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing is scheduled to commence on October 20, 2004 before a panel of the Ontario District Council of the Association in respect of matters for which Maurice Guy Brazeau may be disciplined by the Association.

The hearing relates to allegations that between December 2000 and July 2001 Mr. Brazeau, while a Registered Representative at HSBC Securities (Canada) Inc. and BMO Nesbitt Burns Inc., engaged in conduct unbecoming or detrimental to the public interest, contrary to By-law 29.1, in that he traded improperly and contrary to the best interests of certain clients by arranging the purchase and sale of illiquid stock in their joint account for the sole purpose of attempting to generate capital losses for the financial benefit of the one of his other clients. He also processed five unauthorized purchases in the same clients' joint account in an attempt to make up for subsequent losses, and improperly guaranteed to the clients that there would be no loss to their joint account as a result of the impugned trades.

The hearing is scheduled to commence at 10:00 a.m. (or soon thereafter) on October 20, 2004, at 155 University Avenue, Suite 302, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters. Copies of the Decision of the District Council will be made available when rendered.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

13.1.4 IDA Notice to Public: Disciplinary Hearing in the Matter of Sean Shanahan, Stephan Katmarian, Nicole Brewster and Derek Hume

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF SEAN SHANAHAN, STEPHAN KATMARIAN, NICOLE BREWSTER and DEREK HUME

September 7, 2004 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing will be held in respect of matters for which Sean Shanahan, Stephan Katmarian, Nicole Brewster and Derek Hume may be disciplined by the Association, on a date to be fixed by the Ontario District Council of the Association on Wednesday, October 6, 2004.

The hearing relates to allegations that Mr. Shanahan, Mr. Katmarian, Ms. Brewster and Mr. Hume participated in a scheme in which shares of a company were purchased and sold at contrived prices for the purpose of unduly benefiting one client to the detriment of others, contrary to Association By-law 29.1. The hearing further relates to an allegation that Mr. Shanahan and Mr. Katmarian failed to use due diligence relative to a group of clients contrary to Association Regulation 1300.1.

The hearing date will be fixed by the District Council at 10:00 a.m. on Wednesday, October 6, 2004 at 155 University Avenue, Suite 302, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters. Copies of the decision of the District Council will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

Chapter 25

Other Information

25.1 Exemptions

25.1.1 Deutsche Asset Management Canada Limited - s. 6.1 of OSC Rule 13-502

Headnote

Item F(1) of Appendix C of OSC Rule 13-502 Fees – exemption for pooled funds from paying an activity fee of $5,500 in connection with an application brought under subsection 147 of the Act, provided an activity fee be paid on the basis that the application be treated as an application for other regulatory relief under item F(3) of Appendix C of the Rule.

Rules Cited

Ontario Securities Commission Rule 13-502, Fees, (2003) 26 OSCB 4339 and 27 OSCB 7747.
Securities Act, R.S.O. 1990, c. S.5 as am., ss. 77(2) and ss. 78(1).
National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR), s. 2.1(1)1.

August 19, 2004

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

Attention: H. Scott McEvoy/Kathryn E. Ash, Borden Ladner Gervais LLP

Dear Sirs and Mesdames:

Re: Deutsche Asset Management Canada Limited ("DeAMCL")
Scudder Canada Global Equity Fund, Scudder Canada Contrarian Value Equity Fund II (the "Existing Pooled Funds")
Application under Section 147 of the Securities Act (Ontario) (the "Act") and section 6.1 of OSC Rule 13-502

By letter dated July 15, 2004 (the "Application"), you applied on behalf of Deutsche Asset Management Canada Limited ("DeAMCL") and the Existing Pooled Funds to the Ontario Securities Commission (the "Commission") under section 147 of the *Securities Act* (Ontario) (the "Act") for relief from subsections 77(2) and 78(1) of the Act, which requires every mutual fund in Ontario to file interim and comparative annual financial statements (the "Financial Statements") with the Commission. DeAMCL is registered under the Act as an advisor in the categories of investment counsel and portfolio manager. DeAMCL is the investment manager of the Existing Pooled Funds.

By same date and cover, you additionally applied to the securities regulatory authority in Ontario (the "Decision Maker") on behalf of DeAMCL for an exemption, pursuant to subsection 6.1 of Rule 13-502, from the requirement to pay an activity fee of $5,500 in connection with the Application in accordance with item F(1) of Appendix C of the Rule, on the condition that fees be paid on the basis that the Application be treated as an application for other regulatory relief under item F(3) of Appendix C of Rule 13-502, and from the requirement to pay an activity fee of $1,500 in connection with the latter relief (the "Fee Exemption").

Item F of Appendix C of Rule 13-502 specifies the activity fee applicable for applications for discretionary relief. Item F(1) specifies that applications under section 147 of the Act pay an activity fee of $5,500, whereas item F(3) specifies that applications for other regulatory relief pay an activity fee of $1,500.

From our view of the Application and other information communicated to staff, we understand the relevant facts and representations to be as follows:

1. DeAMCL is a corporation existing under the Canada Business Corporations Act and its registered office is in Toronto, Ontario.

2. DeAMCL is registered under the Act as an advisor in the categories of investment counsel and portfolio manager.

3. The Existing Pooled Funds are, or will be, open-ended mutual fund trusts created under the laws of Ontario and as such each Pooled Fund is, or will be, "a mutual fund in Ontario" as defined in section 1(1) of the Act.

4. The trustee of the Existing Pooled Funds is the Royal Trust Company.

5. Sections 77(2) and 78(1) of the Act require every mutual fund in Ontario to file interim and annual financial statements with the Commission.

6. Sections 89 and 92 of the Regulation require that the Financial Statements filed pursuant to subsections 77(2) and 78(1) of the Act include the Statement. A mutual fund may omit the Statement required by section 89 and 92 of the Regulation from its Financial Statements, if, among other conditions, a copy of the Statement is filed with the Commission prior to or concurrently with the

filing of the Financial Statements. The Applicants currently rely on section 94 of the Regulation.

7. DeAMCL manages the Existing Pooled Funds units of which are offered pursuant to statutory exemptive relief and as such are not reporting issuers in any of the provinces or territories in Canada.

8. Unitholders of the Existing Pooled Funds receive annual financial statements (and semi-annual financial statements upon request) for the Existing Pooled Funds they hold. The Existing Pooled Funds' annual financial statements are audited by PricewaterhouseCoopers LLP.

9. Pursuant to section 2.1(1) of National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR), every issuer required to file Financial Statements with the Commission must make this filing through SEDAR, whereupon the filing will be made available to the general public through the SEDAR internet website.

10. In the Application, DeAMCL and the Existing Pooled Funds have requested under section 147 of the Act relief from filing the Financial Statements with the Commission. The activity fee associated with the Application is $5,500 in accordance with item F(1) of Appendix C of Rule 13-502.

11. If DAMCL and the Existing Pooled Funds had, as an alternative to the Application, sought an exemption from the requirement to file the Financial Statements via SEDAR, the activity fee for that application would be $1,500 in accordance with item F(3) of Appendix C of Rule 13-502.

12. If the Existing Pooled Funds were reporting issuers seeking the same relief as requested in the Application, such relief could be sought under section 80 of the Act, rather than under section 147 of the Act, and the activity fee for that application would be $1,500 in accordance with item F(3) of Appendix C of Rule 13-502.

Decision

This letter confirms that, based on the information provided in the Application, and the facts and representations above, and for the purposes described in the Application, the Decision Maker hereby exempts DeAMCL and the Existing Pooled Funds from

i) paying an activity fee of $5,500 in connection with the Application, provided that DeAMCL and the Existing Pooled Funds pay an activity fee on the basis that the Application be treated as an application for other regulatory relief under item F(3) of Appendix C to Rule 13-502, and

ii) paying an activity fee of $1,500 in connection with the Fees Exemption application under item F(3) of Appendix C to Rule 13-502.

"Susan Silma"

Index