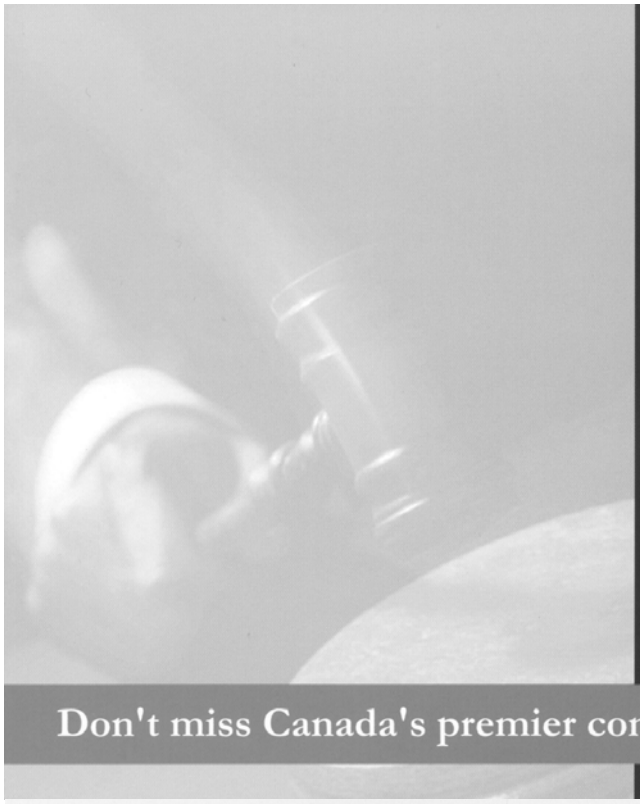

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The Ontario Securities Commission

OSC Bulletin

October 22, 2004

Volume 27, Issue 43

(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)

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

OCTOBER 22, 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
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20 Queen Street West
Toronto, Ontario
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Harold P. Hands	—	HPH
David L. Knight, FCA	—	DLK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

October 31, 2004 (on or about)	**Mark E. Valentine**
	s. 127
10:00 a.m.	A. Clark in attendance for Staff
	Panel: TBA
November 1, 2004	**Brian Anderson and Flat Electronic Data Interchange ("F.E.D.I.")**
10:00 a.m.	s. 127
	K. Daniels in attendance for Staff
	Panel: HLM/RLS
November 2, 2004	**Yama Abdullah Yaqeen**
10:00 a.m.	s. 8(2)
	J. Superina in attendance for Staff
	Panel: RLS/ST/DLK
November 15 to 19, 2004	**Robert Cassels, Murray Hoult Pollitt, Pollitt & Co. Inc.**
10:00 a.m.	s. 127
	J. Naster in attendance for Staff
	Panel: TBA
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: TBA
November 26, 2004	**Andrew Currah, Colin Halanen, Joseph Damm, Nicholas Weir, Penny Currah and Warren Hawkins**
10:00 a.m.	s. 127
	J. Waechter in attendance for Staff
	Panel: TBA

December 6 – 10, 2004	**Brian Peter Verbeek** and Lloyd Hutchison Ebenezer Bruce
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: RLS/ST
January 17 – 21, 2005	**Cornwall *et al***
	s. 127
10:00 a.m.	K. Manarin in attendance for Staff
	Panel: HLM/RWD/ST
January 24 to March 4, 2005, except Tuesdays and April 11 to May 13, 2005, except Tuesdays	**Philip Services Corp. *et al***
	s. 127
	K. Manarin in attendance for Staff
	Panel: PMM/RWD/ST
10:00 a.m.	
March 29-31, 2005 April 1, 4, 6-8, 11-14, 18, 20-22, 25-29, 2005 May 2, 4, 12, 13, 16, 18-20, 30, 2005 June 1-3, 2005	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub**
	s. 127
	M. Britton in attendance for Staff
10:00 a.m.	Panel: SWJ/HLM/MTM
May 30, June 1, 2, 3, 6, 7, 8, 9 and 10, 2005	**Buckingham Securities Corporation, David Bromberg*, Norman Frydrych, Lloyd Bruce and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)**
10:00 a.m.	
	s. 127
	J. Superina in attendance for Staff
	Panel: TBA
	* 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 Notice of Commission Approval of Amendments to National Instrument 44-101 – Short Form Prospectus Distributions

NOTICE OF COMMISSION APPROVAL OF AMENDMENTS TO NATIONAL INSTRUMENT 44-101 – SHORT FORM PROSPECTUS DISTRIBUTIONS

On October 12, 2004, the Commission made the amendments to National Instrument 44-101 - *Short Form Prospectus Distributions* as a rule under the *Securities Act* (Ontario) (the "Act"). On October 20, 2004 the rule was delivered to the Minster of Finance. If the Minster does not approve or reject the instrument or return it to the Commission for further consideration, the instrument will come into force on January 4, 2005. Amendments to the Companion Policy 44-101CP will come into force on the same date.

The amendments to the Rule and Companion Policy are published in Chapter 5 of this Bulletin. A blackline of the amendments previously published on January 30, 2004, against the amendments made by the Commission on October 12, 2004, is available on the Commission's website at **www.osc.gov.on.ca**.

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

OSC STAFF NOTICE 11-739
POLICY REFORMULATION TABLE OF CONCORDANCE AND LIST OF NEW INSTRUMENTS

The following revisions have been made to the:

Table of Concordance

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

Instrument	Title	Status	Change Affecting
43-101	Standards of Disclosure for Mineral Exploration and Development and Mining Properties	Proposed rescission and replacement published for comment Sept 10/04	**NP 2-A** Guide for Engineers, Geologists and Prospectors Submitting Reports on Mining Properties to Canadian Provincial Securities Administrators
			NP 22 Use of Information and Opinion Re Mining and Oil Properties by Registrants and Dealers
48-501	Market Stabilization During Distributions	Republished for comment Sept 10/04	**OSC 5.1 (26)** Trading by Issuers, Selling Security Holders, Underwriters, Dealers and Their Affiliates and Joint Actors During a Distribution by Prospectus of TSE-listed Securities
			OSC 9.3 Take-Over Bids – Miscellaneous Guidelines

List of New Instruments

11-734	Policy Reformulation Table of Concordance and List of New Instruments	***Published Jul 30/04***
11-735	IOSCO and International Joint Forum Publish Reports on Outsourcing of Financial Services for Public Comment	***Published Aug 13/04***
11-736	North American Securities Administrators Association (NASAA) Seeks Public Comment on Proposal to Extend the Model Secondary Market Trading Exemption for Qualifying Canadian Securities to TSX Venture Exchange	***Published Aug 20/04***
11-737	Securities Advisory Committee – Vacancies	***Republished Sept 17/04***
12-201	Mutual Reliance Review System for Exemptive Relief Applications	***Amendments to Schedule A adopted Aug 6/04***
14-502	(Commodity Futures Act) Designation of Additional Commodities	***Published for comment Sept 17/04***
33-311	List of Canadian Registrant and Non-Registrant Firms that Completed the CSA STP Readiness Assessment Survey	***Published Jul 23/04***
51-311	REVISED Frequently Asked Questions Regarding National Instrument 51-102 Continuous Disclosure Obligations	***Published Jun 18/04***
51-312	Harmonized Continuous Disclosure Review Program	***Published Jul 16/04***
62-601	Securities Exchange Take-Over Bids - Trades in the Offeror's Securities - Amendment	***Proposed rescission published for comment Sept 10/04***
81-801	Implementing National Instrument 81-106 Investment Fund Continuous Disclosure	***Published for comment May 28/04***

A full version of the Table of Concordance and List of New Instruments as of September 30, 2004 has been posted to the OSC Website at **www.osc.gov.on.ca** under Policy and Regulation/Status Summaries.

For further information, contact:

Alicia Ferdinand, Project Coordinator
Ontario Securities Commission
416-593-8307
aferdinand@osc.gov.on.ca

1.1.4 OSC Staff Notice 51-715, Corporate Finance Review Program Report – October 2004

OSC STAFF NOTICE 51-715
CORPORATE FINANCE REVIEW PROGRAM REPORT – OCTOBER 2004

1. Introduction

The Ontario Securities Commission's Corporate Finance Branch (the CF Branch) is issuing a year-end report on some of the activities carried out by the branch. This report covers the period April 1, 2003 to March 31, 2004. We believe that the issues identified in this report will assist advisers, company management, boards and audit committees, users and others in complying with disclosure requirements.

In addition to our review programs, the CF branch is involved in a range of other day-to-day activities and policy-making initiatives. These are not addressed in this report.

2. Summary of our Risk-Based Approach for CD Reviews and Prospectus Reviews

A risk-based approach to file selection is becoming increasingly common among the world's major securities regulators as a method to prioritize among many possible activities. In recent years, we have been basing these decisions increasingly on risk, and focusing our efforts where the potential risks are highest. Various selection criteria are used to identify issuers whose disclosure is most likely to be materially improved or brought into compliance with securities law or accounting standards as a result of staff review, or whose potential impact on the markets is significant. The criteria change over time; for example, as certain disclosure related issues rise to greater public prominence, or as consensus or controversy develops around particular accounting or disclosure practices. For more information on A Risk-based Approach for More Effective Regulation, see OSC Staff Notice 11-719 (25 O.S.C.B. 8410).

An issuer's Continuous Disclosure (CD) and Prospectus filings may be subject to full reviews, issue-oriented reviews, real-time reviews or screening reviews.

a) *Full Reviews: CD* - consist of an examination of the issuer's disclosure record at least for the past year. In addition to all regulatory filings, we may examine trading activity, industry data and analyst reports. These files remain open for a discrete period of time and usually involve correspondence with the issuer.
Prospectuses – involves a complete review of the prospectus and any documents incorporated by reference.

b) *Issue-Oriented Reviews* – focus on a specific legal, accounting or other regulatory issue or possibly a particular industry.

c) *Screening Reviews*: CD - these are carried out for issuers that are identified as lower-risk based on screening criteria. These reviews also consist of an examination of the issuer's disclosure record for the past year, but are somewhat less detailed and do not usually involve any correspondence with the issuer. Generally, these files remain open for a very short period of time.
Prospectuses – a screening review is completed and the file is selected for full, issue-oriented or basic review. Basic review is largely limited to an administrative processing of the file.

d) *Real Time Reviews* - these are specific to the CD review process and are carried out for issuers identified as higher-risk based on our review criteria. Real time review files remain open until our assessment of the risk profile changes, and encompass ongoing monitoring and review of SEDAR filings, news articles, trading patterns, press releases, website, and analyst calls. This approach facilitates prompt identification and resolution of issues as they occur, and may identify patterns of behaviour not as readily evident when looking at an issuer at a specific point in time.

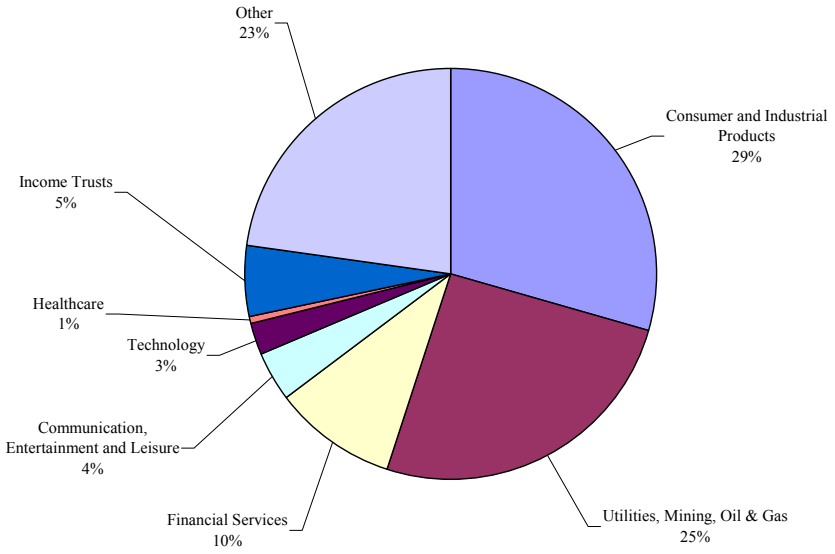
Some issuers will be selected for a CD Review and some prospectuses will be selected for a full review on a random basis.

3. Overview of Corporate Finance Activities

Between April 1, 2003 and March 31, 2004, we completed 274 full or issue-oriented reviews of preliminary prospectuses and rights offering documents, 100 of which included an element of CD review. We also completed 361 full, issue-oriented, screening or real-time CD reviews that were not related to a prospectus or a rights offering. We completed 635 reviews in all, including 461 CD reviews.

Breakdown of CD Reviews
The 461 CD Reviews represent 36% of active Ontario-based reporting issuers.

Our CD reviews were drawn from the following industries:



We carried out more CD reviews this year than last, because lower-risk issuers are increasingly likely to be subject only to a screening review, which involves less time and other resources. Overall, 46% of the companies reviewed were listed on the TSX, 31% of the companies were listed on the TSXV, and the remainder were either not listed or listed on other exchanges.

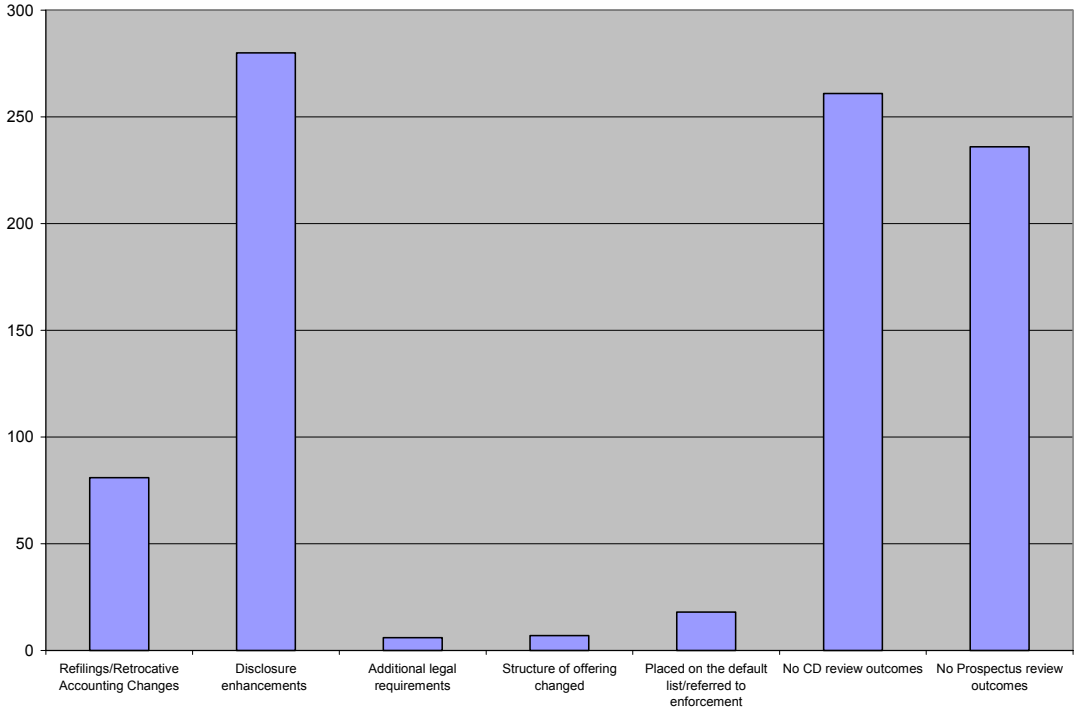
Of the 361 CD reviews not connected with a prospectus (some files are included in more than one of the following categories):

- 47 were part of a targeted review of companies' Management Discussion & Analysis. We report on this initiative in section 7 of this Notice.
- 25 companies were part of the real-time review approach described above.
- 17 were part of a targeted review of income funds. We reported on the outcomes of these reviews in CSA Multilateral Staff Notice 51-310 *Report on Staff's Continuous Disclosure Review of Income Trust Issuers* (27 O.S.C.B. 1847).
- 37 were part of a targeted follow-up review of executive compensation practices. We originally reported on this area in November 2002, in CSA Staff Notice 51-304 *Report on Staff's Review of Executive Compensation Disclosure* (25 O.S.C.B. 7277). We will report the results of the follow-up review later in the year.
- 32 were part of a targeted review of asset-backed securities issuers. We will report on this initiative later in the year.
- 94 were full reviews.
- 175 were screening reviews.
- 49 were other issue-oriented reviews, responding to items identified through our daily reviews of media reports, investor complaints, routine application processes, or through other sources.

Breakdown of Prospectus Reviews
The 274 reviews of prospectuses and rights offering documents were made up of 202 long form prospectus reviews, 52 short form prospectus reviews, and 20 rights offering circular reviews. In 2002/2003 we reviewed 217 prospectuses and rights offering documents.

4. Outcomes of Corporate Finance Activities – Continuous Disclosure and Prospectus Reviews

The outcomes of our 635 completed reviews are summarized below. More than one outcome could be reported for each file.



Legal outcomes included prospectus qualification of warrants and stock purchase contracts and activities of "finders" in the context of prospectus offerings. See sections 5 and 6 respectively for details regarding these outcomes.

The majority of the files with no outcomes are CD screening reviews, which do not generally involve any correspondence with the issuer. Excluding screening reviews, 37% of our CD reviews and 57% of our prospectus reviews resulted in no significant changes.

- For CD reviews, the 37% of reviews that resulted in no significant changes is lower than last year, when the equivalent number was 39%. As we continually reassess our risk-based approach to our reviews, we believe that we are spending a greater proportion of our time focusing on the companies that have potential disclosure problems.

- The percentage of prospectus reviews that resulted in no significant changes is again greater than that for CD reviews. We think that this is due to the high degree of involvement and review by issuers, underwriters, counsel and auditors involved in offering documents.

In 18% of our CD reviews, primarily relating to smaller issuers, we identified filings that were so deficient that the issuers were required to refile continuous disclosure materials, to make retroactive changes or to file materials that had not previously been filed. Our approach to this area is described in OSC Staff Notice 51-711 *Refilings and Corrections of Errors as a Result of Regulatory Reviews* (26 O.S.C.B. 4).

49% of our reviews represented commitments by issuers to enhance some aspect of their disclosure in future filings. A significant number of these commitments related to enhanced MD&A discussion, executive compensation and non-GAAP earnings measures.

Some of the issues that led either to some of the above outcomes such as a refiling, a retroactive accounting change or a change resulting from a prospectus review comment are as follows:

- *Management Discussion and Analysis (MD&A)* – restatement of annual and interim MD&A due to failure to meet the requirements of Ontario Securities Commission Rule 51-501 *AIF and MD&A*, including insufficient analysis and discussion of results of operations and financial condition, risks and uncertainties, and liquidity and capital resources (see section 7);

- *Purchase Price Allocation* - over-allocation of purchase price to goodwill, and failure to recognize intangible assets;

- *Discontinued Operations* – disposal of a business incorrectly accounted for as a discontinued operation;

- *Consolidation* – failing to provide consolidated financial statements when the parent continued to exercise financial control over a subsidiary;

- *Dilution Gains* –incorrectly deferring a dilution gain over 5 years instead of recognizing it at the time of the transaction; recording a dilution gain in share capital instead of on the income statement;

- *Cost deferral* - deferring expenditures that should have been expensed as incurred;

- *Reverse Takeover* – continuing to file financial statements of the predecessor company subsequent to the effective date of a reverse takeover;

- *Share Purchase Loan* - setting up an excess provision even though the issuer had negotiated repayment terms and had adequate collateral for the loan;

- *Cash flow statement* - failing to include a cash flow statement in the financial statements;

- *Interim Financial Statements* – failing to provide notes to the financial statements and/or the correct comparative periods for the income and cash flow statements;

- *Earnings per share* - omitting earnings per share/unit disclosure;

- *Financial Reorganization* - failing to account for a financial reorganization in accordance with section 1625 – Comprehensive Revaluation of Assets and Liabilities of the CICA Handbook;

- *Pro forma financial statements* - making pro forma adjustments not in compliance with OSC Rule 41-501 *General Prospectus Requirements*;

- *Revenue recognition* – inadequate disclosure of revenue recognition policies;

- *Segments* – failing to identify reportable business segments;

- *Business acquisitions* – inadequate disclosure with respect to business acquisitions and significant corporate investments;

- *Tax* – inadequate disclosure in the preliminary prospectus relating to complex structures and/or transactions - for example, regarding the tax treatment on distributions by income trusts*;*

- *Financial Instruments* – failing to disclose unrealized gains/losses for derivatives and interest rate swaps; and

- *Resource properties: technical report information updates* – inadequate updating of production information in the preliminary prospectus, which was extracted from previously filed technical reports, to reflect current market conditions for the minerals discussed.

5. Prospectus qualification of Warrants and Stock Purchase Contracts

Corporate Finance staff have recently had the opportunity to review a number of base shelf prospectuses that qualify, among other things, warrants (i.e., "stand-alone" warrants or "long-term" warrants) and share purchase contracts (also known as stock purchase contracts).

Where an issuer proposes to distribute "stand-alone" warrants or stock purchase contracts under a prospectus, in keeping with longstanding staff practice, we will generally raise a comment as part of the prospectus review process relating to certain policy concerns associated with these types of securities.

It should be noted that the reference to stand-alone warrants or long-term warrants is intended to refer to warrants and other forms of exchangeable or convertible securities that are offered under a prospectus as a separate and independent form of investment. The following discussion in relation to warrants would not apply to an offering of warrants where the warrants may reasonably be regarded as incidental to the offering as a whole. For example, in the case of a typical special warrant offering, the special warrant converts into i) a common share, and ii) a common share purchase warrant (or a fraction thereof). In such cases, we have generally accepted that the common share purchase warrant component merely represents a "sweetener", and that the primary investment decision relates to the common share underlying the special warrant. This would also generally be the case with a unit offering where the unit consists of a common share, and a common share purchase warrant.

Where an issuer proposes to distribute under a prospectus an exchangeable or convertible security, such as a warrant, option, right, subscription receipt or share purchase contract, we will generally consider whether the prospectus should also qualify the distribution of the underlying security. If the underlying security is not qualified, we may be prepared to accept some other form of protection for investors, such as a contractual right of action, in certain circumstances.

The policy concern with respect to exchangeable or convertible securities relates to the potential impact of the exchange or conversion feature on a purchaser's statutory rights under s. 130 of the *Securities Act* (Ontario). For example, an investor may pay part of the purchase price at the time of the purchase of the convertible and part of the purchase price at the time of the conversion. To the extent that an investor makes a further "investment decision" at the time of conversion, we would want to consider whether the investor should continue to enjoy the benefits of statutory rights or comparable contractual rights in relation to this further investment.

Similarly, a security that is distributed under prospectus may convert into or be exchanged for a security that is distributed under an exemption. In this case, we would be concerned that the statutory rights described in s. 130 may be "stripped away" since the statutory rights arise where a security is purchased *under a prospectus*.

In the case of certain types of offerings, such as a prospectus offering of "subscription receipts,"[1] or an offering of convertible preference shares,[2] we will generally be prepared to recommend that a receipt be issued if appropriate disclosure relating to the impact of the conversion or exchange feature is contained in the prospectus, and the purchaser under the prospectus is provided with an appropriate contractual right of action (similar to that contained in s. 131 of the *Securities Act* (Ontario)).

Similarly, in the case of a preliminary short form base shelf prospectus that purports to qualify so-called "stand-alone" or "long-term" warrants, it is established staff practice to request an undertaking, and disclosure of the undertaking in the prospectus, that the issuer will not distribute such securities unless the prospectus supplement containing the specific terms of the securities is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada where the securities will be offered for sale.[3] The purpose of this undertaking is to provide staff with an opportunity to consider whether there is an appropriate level of disclosure to the investor at the time of the exercise of the warrant.

We also request an undertaking where the base shelf prospectus purports to qualify share purchase contracts. Share purchase contracts are similar to a forward contract in that they typically require the holder to purchase from or sell to the issuer, and the issuer to purchase from or sell to the holder, a specified number of the issuer's common shares at a future date or dates. The price per common share may be fixed at the time the share purchase contract is issued or may be determined by reference to a specific formula contained in the share purchase contract.

1 See, for example, the final prospectuses filed by Rogers Sugar Income Fund., dated January 23, 2002.

2 See, for example, the final prospectus filed by Fortis Inc., dated January 20, 2004.

3 See, for example, the final prospectus filed by Fairfax Financial Holdings Limited, dated April 20, 2004.

In our view, share purchase contracts may raise similar concerns to those described above. In our experience, there has been limited disclosure in the base shelf prospectus relating to share purchase contracts. Accordingly, rather than delay the processing of the base shelf prospectus or make a determination based on inadequate information, we will generally request an undertaking that the issuer pre-clear the supplement relating to the share purchase contracts, and disclosure of the undertaking in the prospectus.

6. Activities of "finders" in the context of prospectus offerings

Recently, we had the opportunity to consider a prospectus which raised a number of issues relating to the activities of a "finder" in connection with a prospectus offering.

The facts were essentially as follows. An issuer (the Issuer) filed a preliminary prospectus to qualify, among other things, the distribution of securities underlying two tranches of special warrants that had previously been privately placed: the Series A Special Warrants and the Series B Special Warrants.

The preliminary prospectus stated that a full service dealer (the Dealer) had acted as "agent" on a best efforts basis in connection with the sale of the Series A Special Warrants. The preliminary prospectus further stated that no underwriter or agent had acted in connection with the offering of the Series B Special Warrants but that the Dealer had acted as a "finder" in connection with the offering of the Series B Special Warrants.

On the Series A Special Warrants, the Issuer paid the Dealer a fee equal to a percentage of the gross proceeds plus certain compensation options. On the Series B Special Warrants, the Issuer paid a finder's fee equal to the same percentage of the gross proceeds, plus certain compensation options.

In the course of our review, we raised a number of comments relating to whether the Dealer should be considered as having acted as agent in connection with the private placement of the Series B Special Warrants. We took the position that there were several factors that suggested that the Dealer had also acted as agent on the Series B Special Warrants, including the following:

- The Dealer is a full-service dealer;
- The activities of the Dealer in the private placement of the Series A Special Warrants were not clearly different from the activities of the Dealer in the private placement of the Series B Special Warrants;
- The Dealer received the same consideration on the Series B Special Warrants as on the Series A Special Warrants; and
- The fact that no other party acted as agent in connection with the Series B Special Warrants.

The purchasers of the Series A Special Warrants have a statutory right of action against the Dealer under s. 130 of the Act for any misrepresentation in the prospectus as a consequence of the Dealer having acted as agent.

However, we were concerned that purchasers of the Series B special warrants may not have had such a right (or that such rights might be adversely affected). We were concerned that the limitation contained in s. 130(6) of the Act could potentially operate to limit the Dealer's liability to purchasers of the Series B Special Warrants. (Subsection 130(6) limits the liability of an underwriter to the portion of the distribution underwritten by the underwriter.)

The final prospectus included disclosure stating that, in the event of a misrepresentation in the prospectus, the Dealer would not limit its liability as provided for under section 130(6) of the Act. The statement that there was no agent or underwriter in connection with the offering of the Series B Special Warrants was also removed.

7. Management Discussion & Analysis (MD&A)

On March 5, 2003, the Canadian Securities Administrators (the CSA) announced it had launched a review to assess how well publicly-traded companies comply with their MD&A disclosure obligations. Under this initiative, a number of CSA jurisdictions reviewed a sample of MD&A of companies in their local jurisdictions. Concurrent with the reviews in the other jurisdictions, we reviewed the MD&A of forty-seven companies, primarily with head offices in Ontario. Of the forty-seven companies reviewed, thirty-four (72%) filed their MD&A with one or more deficiencies. The most common deficiency was a failure to provide explanations of material variances or to analyze material variances, followed by failure to adequately analyze identified risks and to disclose selected quarterly financial information.

Of these thirty-four companies, three restated and refiled their MD&A and have been recorded on the Refilings and Errors list. Thirty-one committed to make prospective improvements to their MD&A. We recently published OSC Staff

Notice 51-713 *Report on Staff's Review of MD&A*, which reports our findings and comments arising from these reviews. Subsequent to the publication of the Notice, we continue to review and comment on issuers' MD&A. Since March 31, 2004, nine additional reporting issuers were required to restate and refile their MD&A.

Subsequent to issuing Staff Notice 51-713, we have identified an additional area of concern. Some issuers aggregate the cost of goods sold and major operating expenses and present this figure as a one line item on their income statement. Companies taking this approach generally provide no further analysis or discussion of the components of this item in their MD&A and focus the discussion on the aggregate number. While CICA 1520 lists the amount of cost of goods sold and other major operating expenses as desirable rather than prescribed disclosure, we believe that separate disclosure of these amounts is generally necessary to provide a fair presentation of an issuer's results of operations. Form F2 of National Instrument 44-101 *Short Form Prospectus Distributions* requires that an issuer "disclose any significant components of revenue or expense necessary to understand the results of operations." We are of the view that regardless of the presentation of the expenses in the income statement, separate identification and discussion of cost of goods sold, gross margins and the material components of major operating expenses would generally be necessary to comply with the MD&A requirements.

8. Revenue Recognition

On March 9, 2001, we issued Staff Notice 52-701 – *Initial Report on Staff's Review of Revenue Recognition*. We are continuing to review the revenue recognition practices of reporting issuers, while incorporating the additional guidance provided by the recent issuance of two Emerging Issues Committee Abstracts (the EICs) issued by the Canadian Institute for Chartered Accountants in December 2003. EIC 141- *Revenue Recognition* and EIC 142 – *Revenue Arrangements with Multiple Deliverables,* provide guidance on a number of revenue recognition issues including determining whether delivery has occurred in various situations and determining sales price. We discuss below three recent examples of revenue-related matters raised in our reviews.

Non-Refundable up-front fees
The first issue was a non-refundable up-front fee received at the time of signing a contract, in exchange for the conveyance of a right. The right, effective for the duration of the contract and transferable only upon approval by both parties, allowed the purchaser to assist in future promotion of the product. In turn, the purchaser would receive a portion of future sales, providing it met the future commitments required under the contract. The contract also required significant continuing involvement on the part of the seller of the right, including providing the product for future sales.

The seller recognized the up-front fee as received; however, we believe that the fee should have been deferred and amortized over the term of the contract, based on the guidance provided in section 2(d) of EIC 141. We reached this conclusion because we did not believe that the granting of the right represented a separate culmination of the earnings process.

In determining whether a culmination of the earnings process had occurred, we considered if a separate value could be measured and assigned to the grant of the right. In this case, a separate value for the right could not be reliably identified, since the value of the contract to the purchaser depends on the receipt of a portion of future sales, which in turn depends on supply of the product by the seller. Without the continuing involvement of the seller, through the future supply of the product, the contract (and therefore the right), would have little value and thus, a culmination of the earnings process did not occur. Furthermore, the continuing involvement of the seller represents a significant portion of the contract, indicating that the seller had not substantially completed all of its obligations when granting the right. Therefore, a culmination of the earnings process did not occur at the time the right was granted.

The facts differ from the facts presented in example eight of the EIC, as that example addresses a product in the development stage, whereas the situation we addressed involved a fully developed product currently being marketed and sold. When an example in an EIC Abstract differs in the detail from a real-life example, it is not sufficient to assume, on this basis alone, that the Abstract is not relevant. Rather, the significance of the difference in the fact pattern must be carefully considered with regard to the basic principles of the Abstract.

Revenue Recognition in an Emerging Market
The second issue centered on recognition of revenue related to the sale of software in an emerging market. The company did not alter its pre-existing sales practices in entering this market, and the customers were therefore subject to the same contract and terms as the customers in the company's existing markets. Following the revenue recognition by the company, several customers in the new market subsequently notified the company that they were unwilling to pay for the software because it had not been satisfactorily deployed. Customers in this new market appear to consider 'acceptance' of the software a pre-condition for payment, even though the written contract did not have a formal written acceptability clause. It is necessary when entering a new market to assess the unique challenges of the new market and adjust the revenue recognition practices appropriately. If collectibility is not reasonably assured, then revenue must be recognized on the basis of the cash received.

Sale of an Asset in an Emerging Market
The third issue involved the sale of an asset in an emerging market. The amount receivable as a result of the sale was fully recognized at the time the agreement was finalized, due to the fact that collectibility appeared to be reasonably assured. Subsequently, the issuer had difficulty collecting the receivable, which remained outstanding several years later. Similar to the example above, due to the fact that business practices in the emerging market differ significantly, the amount owing as a result of the sale has become uncollectible, and must be written off. Once again, it is necessary for an issuer to complete further analysis of the emerging market and exercise caution when recognizing revenue from sales in these markets.

To adequately determine when to recognize revenue when selling assets or goods or services in emerging markets, issuers should have an understanding of the business practices of the market and of the legal options available to them that will assist in enforcing collection. Issuers should also consider their own past experiences, as well as experiences of others in emerging markets, when determining the timing for revenue recognition.

9. Income Trusts

The income trust structure has become a popular vehicle for public offerings. In an effort to further understand and evaluate the financial disclosure practices of income trusts, we conducted a coordinated project among certain CSA jurisdictions to review the continuous disclosure records of 40 income trusts. We reported the findings from our review in CSA Multilateral Staff Notice 51-310 - *Report on Staff's Continuous Disclosure Review of Income Trust Issuers* dated February, 2004 (27 O.S.C.B. 1847).

Our findings suggest that income trust issuers need to improve on the quality of their continuous disclosure records. Overall, 29 of the 40 income trust issuers reviewed committed to improve disclosure in future filings of MD&A, press releases, and annual and interim financial statements. Staff Notice 51-310 comments on and illustrates the types of issues we encountered.

We encourage income trust issuers to review Staff Notice 51-310 in conjunction with proposed National Policy 41-201 *Income Trusts and Other Indirect Offerings* (NP 41-201 or the Policy). NP 41-201 provides guidance and clarification to market participants about income trusts and other indirect offering structures. The Policy focuses upon prospectus disclosure, continuous disclosure, liability, and sales and marketing materials. It will apply to public offerings, continuous disclosure filings, and other contexts such as applications for exemptive relief.

We are currently revising the Policy, taking into account comments received. We intend to publish the revised Policy with a summary of comments and responses to comments within the next several months.

10. Non-GAAP Financial Measures

On November 14, 2003 we issued CSA Staff Notice 52-306 *Non-GAAP Financial Measures* (Revised Notice) which supersedes Staff Notice 52-303 *Non-GAAP Earnings Measures*. The Revised Notice was issued to clarify our expectations for issuers using non-GAAP measures, and to expand the scope of the original notice from non-GAAP earnings measures to all non-GAAP financial measures. Although we have noted that there appears to be a reduction in the number of issuers using non-GAAP financial measures, we expect issuers that continue to use non-GAAP financial measures to refer to our Revised Notice for guidance. The most common deficiency that we continue to see is that issuers do not explain why the non-GAAP financial measure provides useful information to investors and how management uses the non-GAAP financial measure. We will continue to monitor practices in this area and will actively follow up with issuers that have not followed the expectations contained in the Revised Notice.

11. Business Combinations

We continue to encounter issues relating to the implementation of CICA 1581 *Business Combinations* (CICA 1581) and CICA 3062 *Goodwill and Other Intangible Assets* (CICA 3062), and the application of EIC 14 *Adjustments to the Purchase Equation Subsequent to the Acquisition Date* (EIC 14) and EIC 137 *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination* (EIC 137).

Goodwill Impairment
In the absence of any triggering events, goodwill is required to be tested for impairment annually using a two-step approach. We remind issuers that as part of our CD and prospectus reviews, we may request copies of documentation that management used to support this testing. Based on our reviews of such documentation, we think that some issuers have been overly optimistic in establishing assumptions used to determine the fair value of their reporting units. Signs of potential problems included cash flow forecasts prepared without sufficient consideration for working capital and capital expenditure requirements; or sales forecasts based on unrealistic growth rates or unproven sales trends.

Subsequent Adjustments to the Purchase Price Equation
As discussed in EIC 14, adjustments to the allocation of the purchase price should only be made in unusual circumstances. In our view, such circumstances usually involve complex acquisitions that occur close to the end of a reporting period, where the issuer is unable to finalize the purchase price allocation because of specific circumstances. For example, there may be a delay in receiving necessary information from a third party, such as a valuation report. In such cases, the issuer is required to provide detailed and specific disclosures in the financial statements and in the MD&A of the reasons for not having finalized the purchase price allocation, and the expected timeframe for finalization. Subsequently, issuers should aim to complete the allocation as promptly as possible.

Recognizing Customer Relationship Intangible Assets
We have encountered situations in the past where issuers are reluctant to ascribe any value to customer relationships based on existing or prior contractual relationships. Issuers have also argued that cancellable or short-term contracts represent little or no value despite the existence of renewal terms. It has always been our view that customer contracts and related customer relationships should be recognized as intangible assets. Factors such as the duration of the contracts, and whether they are cancellable by the customer will have a bearing on the measurement of that intangible asset. EIC 137, consistent with paragraph B174 of the Basis for Conclusion for FASB Statement 141 *Business Combinations*, explicitly states that future contract renewals and other benefits related to the intangible assets should be considered in the estimate of its fair value.

We continue to encourage issuers to consult with independent valuation experts in identifying and determining the fair value of intangible assets. In our CD and Prospectus reviews, we will continue to challenge issuers and their auditors if we are not satisfied that qualified personnel have been sufficiently involved in preparing and/or auditing the financial statements. On some occasions, we have requested that more audit work be carried out, and in a number of instances we have requested that issuers engage an independent valuation expert at their expense to review the identification and valuation of intangible assets and goodwill.

12. Ratings

During the year we reviewed the continuous disclosure record of 32 issuers of asset-backed securities. A number of these issuers used the short-form system to distribute securities. The prospectus included a rating by an "approved rating" organization at the time of the offering. If an issuer receives a rating, it must be disclosed in accordance with part 7.3 of NI 51-102F2 *Annual Information Form.* In a number of cases, there was no disclosure of the issuer's rating subsequent to the offering. We are of the view that a downgrade to an issuer's credit rating constitutes a material change in most circumstances. Moreover, National Policy 51-201 *Disclosure Standards* notes that a change in a credit rating may constitute a material change under section 75 of the Act. Even if the issuer's rating has not changed, the passage of time creates uncertainty regarding the ongoing applicability of information disclosed in a prospectus and ongoing ratings, and so even if the credit rating has not changed we think it is good practice to disclose the credit rating in the annual filing.

13. Asset-Backed Securities (ABS)

The Director has recently granted several discretionary exemptions from Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (MI 52-109) to issuers of asset backed securities (ABS issuers).[4] The exemptions recognize that these issuers typically file distribution date statements instead of conventional financial statements under previously granted exemptions from some of the continuous disclosure requirements in Canadian securities legislation. Consequently, the form of certificate required under MI 52-109 does not fit all of the filings made by these issuers. The Director granted the exemptions in connection with the interim certificates required for the 2004 financial year only. Before the filing date of the annual certificate required under 52-109, we intend to review this issue to determine what form of modified certificate is appropriate for ABS issuers' unique circumstances.

14. Review of Executive Compensation Disclosure

As a follow-up to our 2002 review of executive compensation disclosure included in CSA Staff Notice 51-304 *Report on Staff's Review of Executive Compensation Disclosure*, we reviewed the same group of Ontario based reporting issuers to ensure the issuers had addressed any prospective changes they had agreed to make. Thirty-seven Ontario based reporting issuers were reviewed for the purposes of this targeted project. In general, the reporting issuers in the original sample addressed the comments raised by us during our first review, and improved the disclosure on executive compensation in their most recent information circular. However, we continue to see poor disclosure of issuers' *Statement of Executive Compensation* (Item 9 of Form 51-102F6). The disclosure in this area tends to be vague and the use of boilerplate language is common. We are planning to publish a notice shortly that will provide further guidance.

[4] See for example *In the Matter of Mansfield Trust*, dated May 12, 2004 and *In the Matter of Schooner Trust*, dated May 31, 2004.

15. Websites

Introduction
As websites have become an accepted source of information for the public, the quality of disclosure provided through them has become a critical issue. Currently, all full CD and prospectus reviews include a review of an issuer's website. This allows us to assess the quality of electronic communications disclosure for issuers for a broad spectrum of industries. In reviewing websites, we focus primarily on whether all financial information is presented clearly, is consistent with the information presented in an issuer's continuous disclosure filings and is consistent with disclosure in the prospectus. In addition, we look at whether the issuer has met the expectations of National Policy 51-201 *Disclosure Standards* and the TSX guidelines on electronic communications disclosure. The TSX strongly recommends that all listed companies maintain a corporate website in order to make investor relations information available electronically; however there is no obligation to do so. For approximately 30% of the issuers reviewed, we found that no website existed.

Findings
Due to the types of guidelines which exist for websites and the nature of website reviews, an element of subjectivity or judgment exists in performing such a review. For the most part, we have not found many fundamental problems with issuer websites. Our specific findings are as follows:

- Three of the issuers we reviewed had no financial information available on their websites, although one of the three issuers did provide a link to SEDAR. The link was not prominent and was therefore not easy to find. One of these issuers has now agreed to include all material financial information on a forward looking basis.

- Two issuers had hyperlinks on their website but did not use disclaimers to state that they are not responsible for the third party information.

- Several issuers used testimonials on their websites; however these were not clearly labelled as such.

- In a few cases, outdated information was not moved to an archive.

Recommendations
Our specific suggestions on websites include:

- all refiled, amended or restated financial information should be clearly labeled as such.

- Supplemental information such as presentations or information distributed to analysts and institutional clients should be posted, and should be clearly identified.

- Promotional, sales and marketing information should not be included on the same web pages as investor relations information. This includes the use of testimonials.

- Issuers should not post any investor relations information on their website that is authored by a third party unless the information is prepared on behalf of the issuer, or is general in nature and not specific to the issuer.

In addition, we continue to encourage issuers to establish a clear written policy on electronic communications as part of their existing policies governing corporate disclosure.

16. Mergers & Acquisitions

Rule 61-501 – *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*
Commission Rule 61-501 provides security holders of issuers involved in specified types of transactions with the benefits of enhanced disclosure requirements and, in certain cases, independent valuations and majority of minority security holder approval. Amendments to Rule 61-501 and Companion Policy 61-501CP came into force on June 29, 2004. The amendments were primarily intended to clarify grey areas, reduce the necessity for applications for exemptive relief and generally make the Rule more user friendly.

Among the amendments was the introduction of a definition of "collateral benefit". Previously, the concept of a collateral benefit was included in the definition of "going private transaction" (which in the amended Rule is referred to as a "business combination") and elsewhere in the Rule, but was not a defined term. In the amended Rule, the main implication of the existence of a collateral benefit in connection with a proposed business combination is that the votes of the recipient of the collateral benefit must not be counted in the security holder vote on the business combination. If

the collateral benefit was derived as a consequence of a take-over bid, the votes attaching to the securities tendered by the recipient of the benefit must not be counted by the bidder in a security holder vote on a subsequent "second step" business combination.

In preparing take-over bid circulars, or information circulars in connection with business combinations, care should be taken to ensure that the disclosure properly reflects the amendments to the Rule. For example, the votes attaching to certain securities may be precluded from being counted as votes in favour of a "subsequent acquisition transaction" in a minority approval vote following a take-over bid, because of a collateral benefit received by the person who tendered those securities to the bid. If this is the case or is a possibility, the disclosure in the take-over bid circular should not indicate, without qualification, that all securities acquired in the bid will be voted in favour of the subsequent acquisition transaction. For business combinations and related party transactions, the amended Rule requires disclosure in the information circular of the number of securities that, to the knowledge of the issuer after reasonable inquiry, will be excluded in a minority approval vote.

17. National Instrument 43-101 Standards of Disclosure for Mineral Projects

We have seen a significant improvement in the scientific and technical disclosure by issuers and in the filing of technical reports when triggered under NI43-101 *Standards of Disclosure for Mineral Projects*. The Canadian Institute of Mining, Metallurgy and Petroleum (CIM) continues to prepare best practice guidelines for the industry. This year, CIM prepared Best Practice guidelines for the Reporting of Diamond Exploration Results and for Estimation of Mineral Resources and Mineral Reserves. These are available at www.cim.org.

Issuers should continue to consult with us prior to disclosing estimates, if needed. Our reviews of scientific and technical disclosure continue to identify the following issues:

- *Metal content* - Disclosure of metal content must be accompanied by tonnage and grade *of each category of mineral resource/reserve.*

- Disclosure of Inferred Resources - *We continue to see inferred mineral resources totalled with other categories of mineral resources. As there is a low confidence level in inferred resources, these must not be totalled with indicated and measured resources.*

- *Disclosure of historical resources and reserves* - An issuer may disclose mineral resources and mineral reserves estimated prior to February 1, 2001. However, we often find that the required supporting disclosure is not provided. The disclosure must include:

  a) the source, relevance and reliability of the historical estimate;

  b) whether CIM definitions have been used and if not, an explanation of the differences; and

  c) a discussion of any recent estimates or data.

If an issuer acquires a property with historical reserves and resources, the requirement for a technical report is triggered once the issuer discloses its own estimate of mineral resources and reserves on the property or adopts the historical reserves and resources as their own estimate. The report must be filed within 30 days of the acquisition.

A resource estimate prepared by another company after February 1, 2001 but before an issuer acquired the property is not a historical resource under NI43-101. This is a particular problem with projects in Russia and China, as these countries use different resource classification codes that are not recognized by NI43-101. We are of the view that qualified individual(s) should visit the site and complete the necessary work to upgrade the estimates to Canadian standards prior to any disclosure of mineral resources and mineral reserves.

Problems with gross metal values - The conversion of *insitu* metal grades into equivalent dollar values may imply value that does not exist. We have seen this disclosure both in terms of 'per tonne' and 'per deposit' value. In many instances the disclosure is meaningless as costs and recoveries incurred in extracting the metals are not taken into account in computing value. Even if all factors are taken into account, issuers are encouraged to include a clear cautionary statement that the values have no economic significance and do not in any way imply current or future value to the company.

Disclosure of mineral resources and mineral reserves – While disclosure in this area has improved significantly we continue to see the following problems:

- *Totalling of Resource Data* - If an issuer has properties with both historical and current resources, they cannot be added together. In our view, estimates of historical resources often do not have the same level of reliability as current resource estimates prepared under the CIM standards. Until historical resources have been prepared using CIM standard definitions, the two should be separately disclosed.

- *Realistic metal prices* – Metal prices should be consistent with prices used by other issuers in the industry. Price estimates should reflect the expected average metal price over the life of the mine, and not sudden changes in metal prices.

- *Multiple Resource Scenarios* – If multiple resource scenarios are disclosed, the qualified person should highlight the most realistic resource scenario so investors are clear which set of numbers to rely on.

- *Cut-off Grade* – Occasionally companies disclose resource scenarios based on a zero cut-off grade or a cut-off grade below what is typically used for similar deposits. Under CIM definitions, zero or very low cut-off grade scenarios do not qualify as mineral resources, because they include material that does not have a reasonable prospect of economic recovery.

18. Insider Reporting

The System for Electronic Disclosure by Insiders (SEDI) was successfully launched in May 2003. SEDI now contains close to 25,000 insider profiles and 4,300 issuer profile supplements. With a year's transactions now on SEDI we will further direct our resources to monitoring insider reporting compliance over the upcoming months.

SEDI Issuer Profile Supplements
National Instrument 55-102 - SEDI (NI 55-102) requires issuers to file an issuer profile supplement. Issuers are reminded of the importance of defining their outstanding securities in their issuer profile supplements to allow insiders to file complete and accurate insider reports. New reporting issuers, other than mutual funds, are also reminded that an issuer profile supplement must be filed within 3 business days of becoming a reporting issuer.

Frequently Occurring Issues
In March 2004 we sent out a mass e-mail to insiders which included the "Top Ten Errors in SEDI Filings". Frequently occurring filing errors include inaccurate reporting of options, failure to certify insider reports and inappropriate use of insider-defined security designations and insider calculated balances. For our complete top-ten list you can refer to the CSA website: www.csa-acvm.ca.

Late Fees
In August 2003 we began charging fees for late insider reports filed on SEDI. Insiders who file late are subject to a $50 per day fee up to an annual maximum of $1,000. Experience since August suggests that late filings are approximately 10% of total SEDI filings. While we did not track the percentage of paper insider reports filed late before SEDI, we believe that the late fees introduced have reduced the number of insider reports filed late. With the accumulation of data on late filings we have also begun to track "chronic late filers" who have reached their $1,000 cap for further follow-up. Recent analysis indicates that many of the late insider reports relate to the inaccurate reporting of options rather than open market transactions. Insiders are reminded to use the notification date as the "date of the transaction" in completing insider reports if they are not made aware of the grant of options until sometime after the grant date.

Insider Reporting and Equity Monetization Reviews
Multilateral Instrument 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization) came into force in Ontario on February 28, 2004. Related Staff Notice 55-312 Insider Reporting Guidelines for Certain Derivative Transactions (Equity Monetization) contains our recommendations as to how certain derivative-based transactions should be reported on SEDI. This year we will do a targeted review of insider reports which will include reviewing: SEDI transactions for completeness and accuracy; issuer's corporate disclosure policies and monitoring procedures related to insider trading; and compliance with our requirements and recommendations for reporting equity monetization transactions.

19. System for Electronic Document Analysis and Retrieval (SEDAR) Filings

Profiles
We remind issuers of their responsibility for maintaining an accurate and current SEDAR filer profile, as set out in NI 13-101 System for Electronic Document Analysis and Retrieval (SEDAR). This is especially important as information contained in SEDAR profiles is automatically transferred over to SEDI.

Changing the status of documents filed
We remind issuers to carefully check their SEDAR filings before they are filed. Once a document has been made public, we only make it "private" again in very limited circumstances. The system for the dissemination of SEDAR information to subscribers exists in real time. The SEDAR-SCRIBE system allows third party information redistributors to electronically receive documents from the SEDAR system the moment filed documents are marked "public". SEDAR-SCRIBE disseminators may include news service providers. If an error is discovered in a document already filed on SEDAR, then the issuer should file the amended document on SEDAR with an explanation of the corrections or changes made. Please note that the original document will generally not be removed from the public record.

National Instrument 51-102 Continuous Disclosure Obligations
SEDAR has been updated to reflect the requirements of NI 51-102 Continuous Disclosure Obligations. Changes include new filing deadlines and delivery requirements, the content of some disclosure requirements, and new continuous disclosure reporting requirements.

Frequently Occurring Issues
We have noted that issuers sometimes file blacklined documents under the filing subtype/document type "amended filings". The correct procedure is to file blacklined documents as "other correspondence". Issuers are reminded that a refiling should be described as amended only when required under National Instrument 41-501 General Prospectus Requirements. In such a case, the actual refiling itself should be labelled as amended on the cover page.

The SEDAR Filer Manual 7.0 requires, among other things, that the issuer include the name (in English and French), mailing address, telephone number and fax number of the auditor, including foreign auditors. A significant number of issuers are not complying with these requirements. We are of the view that an issuer's SEDAR profile should always be complete and accurate and should include all the requirements of the Filer Manual. We consider this information particularly important when an issuer's auditor is based in a jurisdiction outside Canada.

In addition, sometimes an issuer has an audit completed by a foreign auditor. For example, an Ontario based reporting issuer may have a U.S. parent which may engage a U.S. auditing firm to complete the audit for the parent and all subsidiaries. Currently the SEDAR profile of the issuer only indicates that an accounting firm is the auditor without specifying the jurisdiction of the accounting firm. We are of the view that the issuer's SEDAR profile should also include the jurisdiction of the accounting firm who performed the audit function (U.S., U.K. etc) following the name of the auditor.

Contact Information:

Questions on any of the foregoing may be referred to:

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1.1.5 OSC Staff Notice 11-738, IOSCO Seeks Public Comment on Draft Code of Conduct Fundamentals for Credit Rating Agencies

OSC STAFF NOTICE 11-738
IOSCO SEEKS PUBLIC COMMENT ON DRAFT CODE OF CONDUCT FUNDAMENTALS FOR CREDIT RATING AGENCIES

On October 7, 2004, the Chairs' Task Force of the Technical Committee[1] of the International Organization of Securities Commissions (IOSCO) published for public comment a Consultation Report, *Code of Conduct Fundamentals for Credit Rating Agencies* (CRA Code of Conduct Fundamentals). The deadline for submitting comments is **November 8, 2004**. Instructions regarding the submission of comments are included at the end of this Notice.

Background

In February 2003, the Technical Committee of IOSCO established a special Chairs' Committee to oversee the development of a Statement of Principles regarding credit rating agencies (CRAs). The Chairs' Committee was composed of many IOSCO Technical Committee members, including Commission Chair David Brown. The Chairs' Committee created an IOSCO Project Team (CRA Project Team) to develop the Statement of Principles. Commission Vice-Chair Susan Wolburgh Jenah, supported by Commission staff, participated in the CRA Project Team.

During the spring of 2003, the CRA Project Team completed a study regarding: (a) CRA functions and operations; (b) the ways in which financial market participants use credit ratings; (c) the extent to which credit ratings are used in financial regulation in various jurisdictions; and (d) the nature of any regulatory oversight of CRAs. The results of this study led to the development of the *Statement of Principles Regarding Activities of Credit Rating Agencies* and a related *Report on the Activities of Credit Rating Agencies*.[2] The Statement of Principles and Report were published by the Technical Committee in September 2003.

The Statement of Principles lays out high-level objectives that CRAs should strive toward in order to protect the integrity and analytical independence of the credit rating process. The proposed CRA Code of Conduct Fundamentals build on the Statement of Principles by offering more specific and detailed guidance to CRAs on how the objectives of the Statement of Principles can be achieved in practice.

Consultation Process

Attached to this Notice are the CRA Code of Conduct Fundamentals and IOSCO's Press Release, which invites public comment on the proposed CRA Code of Conduct Fundamentals and specifically identifies two additional issues for which input is sought.

The Commission is publishing this Notice and the proposed CRA Code of Conduct Fundamentals in the Bulletin and on the Commission's website[3] to raise awareness of this important IOSCO initiative and encourage interested stakeholders to submit comments to IOSCO.

Following consideration of submissions received during the comment period, the CRA Code of Conduct Fundamentals will be finalized and submitted to the IOSCO Technical Committee for approval.

Submission of Comments

The public is invited to submit comments on the CRA Code of Conduct Fundamentals and the supplementary questions outlined in IOSCO's Press Release by **November 8, 2004**. Comments can be submitted by email to mail@oicv.iosco.org. Please include in the email subject line "Public Comment on *Code of Conduct Fundamentals for Credit Rating Agencies*". Additional instructions on how to submit comments by email, fax or mail are included in the Press Release.

Please do not submit comments to the Commission.

Questions may be referred to:

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1 The Commission is a member of IOSCO's Technical Committee, as well as its Executive Committee. More information about IOSCO and the Commission's participation in IOSCO can be found on the Commission's website at **www.osc.gov.on.ca** (International Affairs – Who's Who).

2 The Statement of Principles (Public Document #151) and Report (Public Document #153) can be downloaded from the on-line IOSCO Library at www.iosco.org.

3 Go to **www.osc.gov.on.ca** (International Affairs – Current Consultations). The CRA Code of Conduct Fundamentals can also be downloaded from IOSCO's On-Line Library at www. iosco.org (Public Document #173).

ORGANIZACIÓN INTERNACIONAL DE COMISIONES DE VALORES
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS
ORGANISATION INTERNATIONALE DES COMMISSIONS DE VALEURS
ORGANIZAÇÃO INTERNACIONAL DAS COMISSÕES DE VALORES

OICV-IOSCO

7 October 2004

For Immediate Release

PRESS RELEASE

IOSCO Issues Consultation Report on Code of Conduct Fundamentals for Credit Rating Agencies

The Chairmen's Task Force of the Technical Committee of the International Organization of Securities Commissions today is publishing for public consultation a Consultation Report on *Code of Conduct Fundamentals for Credit Rating Agencies.* The Consultation Report is now posted on the IOSCO website (www.iosco.org). The public is invited to submit comments on this Consultation Report by November 8, 2004. Instructions regarding the submission of comments are set out as an attachment to this Press Release.

In September 2003, the IOSCO Technical Committee issued a Statement of Principles Regarding the Activities of Credit Rating Agencies (CRAs). These CRA Principles laid out high-level objectives that CRAs, regulators, issuers and other market participants should strive toward in order to protect the integrity and analytical independence of the credit rating process. The Consultation Report follows on the CRA Principles by offering more specific and detailed guidance to CRAs on how the objectives of the CRA Principles can be achieved in practice.

The CRA Code of Conduct Fundamentals are designed to be a set of measures that should be included in some form or fashion in the codes of conduct of individual CRAs. As currently drafted, these measures are not intended to be rigid or formulistic: when incorporating these measures into their own codes of conduct, CRAs will be able to maintain a degree of flexibility to deal with the different legal and market circumstances in which they operate. However, it is envisioned that securities regulators may decide to incorporate the *CRA Code of Conduct Fundamentals* into their own regulatory oversight of CRAs, may decide to oversee compliance of the *CRA Code of Conduct Fundamentals* directly, may decide to provide for an outside arbitration body to enforce the *CRA Code of Conduct Fundamentals*, or may rely on market mechanisms to enforce compliance if an individual CRA's own code of conduct fails to adequately address the provisions outlined by the *CRA Code of Conduct Fundamentals*.

In developing the Consultation Report, the Chairmen's Task Force sought input from the CRA industry, the Basel Committee of Banking Supervisors, and the International Association of Insurance Supervisors. The Consultation Report will be revised and finalized after consideration of all comments received from the public. In seeking public comment, the Chairmen's Task Force is particularly interested in views of how the provisions contained within the *CRA Code of Conduct Fundamentals* advance the goals of investor protection, fairness, efficiency and transparency in securities markets, and the reduction of systemic risk.

In addition to the Consultation Report itself, the Chairmen's Task Force also seeks public comment on two separate issues:

1. Whether it is advisable to require CRAs disclose to issuers beforehand changes to their rating methodologies and rating criteria and whether such a requirement would enhance or undermine investor protection. Such a provision might take the form of a revised Provision 3.9:

   Because users of credit ratings rely on an existing awareness of CRA practices, procedures and processes, the CRA should fully and publicly disclose modification of these practices, procedures and processes prior to these modifications going into effect. The CRA should carefully consider the various uses of credit ratings before modifying its practices, procedures and processes. [Underlined language added.]

2. How compliance with the *CRA Code of Conduct Fundamentals* should be best enforced, given different legal and market circumstances in different jurisdictions. The current draft recognizes that different jurisdictions may adopt different mechanisms to help ensure compliance. Proposals within this framework include direct regulatory oversight, an outside arbitration body (such as the International Chamber of Commerce) that would determine whether a CRA is in compliance with the *CRA Code of Conduct Fundamentals*, as well as market mechanisms. The public is invited to opine on which of these approaches (as well as others) are better suited to achieving the objectives of protecting investors, maintaining fair, efficient and transparent markets, and reducing systemic risk.

After the consultation process, the Chairmen's Task Force will submit a final version of the CRA Code of Conduct Fundamentals to the IOSCO Technical Committee for approval.

A copy of the Technical Committee's September 2003 Statement of Principles Regarding the Activities of Credit Rating Agencies can be accessed on IOSCO's website at http://www.iosco.org/pubdocs/pdf/IOSCOPD151.pdf. The Technical Committee's Report on the Activities of Credit Rating Agencies, which accompanied the Statement of Principles, can be accessed at IOSCO's website at: http://www.iosco.org/pubdocs/pdf/IOSCOPD153.pdf.

For further information contact:

Mr. Philippe Richard
IOSCO Secretary General

or

Mr. Andrew Larcos
IOSCO Public Affairs officer

Tel: (3491) 417 55 49
Fax: (3491) 555 93 68

How to Submit Comments

Comments may be submitted by one of three methods. To help us process and review your comments more efficiently, please use only one method.

Important: *All comments may be made available to the public.*

1. E-mail

- Send comments to mail@oicv.iosco.org.
- The subject line of your message must indicate "Public Comment on *Code of Conduct Fundamentals for Credit Rating Agencies*."
- If you attach a document, indicate the software used (e.g., WordPerfect, Microsoft WORD, ASCII text, etc.) to create the attachment.
- DO NOT submit attachments as HTML, PDF, GIF, TIFF, PIF, ZIP, or EXE files.

OR

2. Facsimile Transmission

Send by facsimile transmission using the following fax number: 34 (91) 555 93 68.

OR

3. Paper

Send 3 copies of your paper comment letter to:

Philippe Richard
IOSCO Secretary General
Oquendo 12
28006 Madrid
Spain

Your comment letter should indicate prominently that it is a "Public Comment on *Code of Conduct Fundamentals for Credit Rating Agencies*."

CODE OF CONDUCT FUNDAMENTALS FOR CREDIT RATING AGENCIES

OICV-IOSCO

A CONSULTATION REPORT OF THE CHAIRMEN'S TASK FORCE OF THE TECHNICAL COMMITTEE OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OCTOBER 2004

PREAMBLE

The Chairmen's Task Force of the Technical Committee of the International Organization of Securities Commissions has published for public consultation this Consultation Report on *Code of Conduct Fundamentals for Credit Rating Agencies.* The public is invited to submit comments on this Consultation Report by November 8, 2004. Instructions regarding the submission of comments are set out below.

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In developing the Consultation Report, the Chairmen's Task Force sought input from the CRA industry, the Basel Committee of Banking Supervisors, and the International Association of Insurance Supervisors. The Consultation Report will be revised and finalized after consideration of all comments received from the public. In seeking public comment, the Chairmen's Task Force is particularly interested in views of how the provisions contained within the *CRA Code of Conduct Fundamentals* advance the goals of investor protection, fairness, efficiency and transparency in securities markets, and the reduction of systemic risk. In addition to the Consultation Report itself, the Chairmen's Task Force also seeks public comment on two separate issues:

1. Whether it is *advisable* to require CRAs disclose to issuers beforehand changes to their rating methodologies and rating criteria and whether such a requirement would enhance or undermine investor protection. Such a provision might take the form of a revised Provision 3.9:

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2. How compliance with the *CRA Code of Conduct Fundamentals* should be best enforced, given different legal and market circumstances in different jurisdictions. The current draft recognizes that different jurisdictions may adopt different mechanisms to help ensure compliance. Proposals within this framework include direct regulatory oversight, an outside arbitration body (such as the International Chamber of Commerce) that would determine whether a CRA is in compliance with the *CRA Code of Conduct Fundamentals*, as well as market mechanisms. The public is invited to opine on which of these approaches (as well as others) are better suited to achieving the objectives of protecting investors, maintaining fair, efficient and transparent markets, and reducing systemic risk.

After the consultation process, the Chairmen's Task Force will submit a final version of the CRA Code of Conduct Fundamentals to the IOSCO Technical Committee for approval.

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- Send comments to mail@oicv.iosco.org.
- The subject line of your message must indicate "Public Comment on *Code of Conduct Fundamentals for Credit Rating Agencies*."
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Philippe Richard
IOSCO Secretary General
Oquendo 12
28006 Madrid
Spain

Your comment letter should indicate prominently that it is a "Public Comment on *Code of Conduct Fundamentals for Credit Rating Agencies*."

CODE OF CONDUCT FUNDAMENTALS FOR CREDIT RATING AGENCIES

INTRODUCTION

Credit rating agencies (CRAs) can play an important role in modern capital markets. CRAs typically opine on the credit risk of issuers of securities and their financial obligations. Given the vast amount of information available to investors today – some of it valuable, some of it not – CRAs can play a useful role in helping investors and others sift through this information, and analyze the credit risks they face when lending to a particular borrower or when purchasing an issuer's debt and debt-like securities.[1]

In September 2003, IOSCO's Technical Committee published a Statement of Principles Regarding the Activities of Credit Rating Agencies. The Principles were designed to be a useful tool for securities regulators, rating agencies and others wishing to articulate the terms and conditions under which CRAs operate and the manner in which opinions of CRAs should be used by market participants. Because CRAs are regulated and operate differently in different jurisdictions, the Principles laid out high-level objectives that rating agencies, regulators, issuers and other market participants should strive toward in order to improve investor protection and the fairness, efficiency and transparency of securities markets and reduce systemic risk. The Principles were designed to apply to all types of CRAs operating in various jurisdictions. However, to take into account different market, legal and regulatory circumstances, the manner in which the Principles were to be implemented was left open. The Principles contemplated that a variety of mechanisms could be used, including both market mechanisms and regulation.

Along with the Principles, IOSCO's Technical Committee also published a Report on the Activities of Credit Rating Agencies that outlined the activities of CRAs, the types of regulatory issues that arise relating to these activities, and how the Principles address these issues. The CRA Report highlighted the growing and sometimes controversial importance placed on CRA assessments and opinions, and found that, in some cases, CRAs activity is not always well understood by investors and issuers alike. Given this lack of understanding, and because CRAs typically are subject to little formal regulation or oversight in most jurisdictions, concerns have been raised regarding the manner in which CRAs protect the integrity of the rating process, ensure that investors and issuers are treated fairly, and safeguard confidential material information provided them by issuers.

Following publication of the CRA Principles, some commenters, including a number of CRAs, suggested that it would be useful if IOSCO were to develop a more specific and detailed code of conduct giving guidance on how the Principles could be implemented in practice. The following Code of Conduct Fundamentals for Credit Rating Agencies is the fruition of this exercise. As with the Principles, with which it should be used, the CRA Code Fundamentals were developed out of discussions among IOSCO members, CRAs, representatives of the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, issuers, and the public at large. The CRA Code Fundamentals offer a set of robust, practical measures that serve as a guide to and a framework for implementing the Principles' objectives. These measures are the fundamentals which should be included in individual CRA codes of conduct, and the elements contained in the CRA Code Fundamentals should receive the full support of CRA management and be backed by thorough compliance and enforcement mechanisms. However, the measures set forth in the CRA Code Fundamentals are not intended to be all-inclusive: CRAs and regulators should consider whether or not additional measures may be necessary to properly implement the Principles in a specific jurisdiction, and the Technical Committee may revisit the CRA Code Fundamentals in the future should experience dictate that modifications are necessary. Further, the CRA Code Fundamentals are not designed to be rigid or formulistic. They are designed to offer CRAs a degree of flexibility in how these measures are incorporated into the individual codes of conduct of the CRAs themselves, according to each CRA's specific legal and market circumstances. However, in developing their own codes of conduct, CRAs should keep in mind that securities regulators may decide to incorporate the CRA Code Fundamentals into their own regulatory oversight, may decide to supervise compliance with the CRA Code Fundamentals, and/or may decide to provide for an outside arbitration body to enforce the CRA Code Fundamentals. Jurisdictions may also rely on market mechanisms to enforce compliance with the CRA Code Fundamentals, as the market may judge a CRA adversely if its own code of conduct fails to address the provisions contained in the CRA Code Fundamentals.

Finally, the CRA Code Fundamentals address measures that CRAs should adopt to help ensure that the CRA Principles are properly implemented. The CRA Code Fundamentals do not address the equally important obligations issuers have of cooperating with and providing accurate and complete information to the marketplace and the CRAs they solicit to provide ratings. While aspects of the CRA Code Fundamentals deal with a CRA's duties to issuers, the essential purpose of the CRA Code Fundamentals is to promote investor protection by safeguarding the integrity of the rating process. IOSCO members recognize that credit ratings, despite their numerous other uses, exist primarily to help investors assess the credit risks they face when making certain kinds of investments. Maintaining the independence of CRAs vis-à-vis the issuers they rate is vital to achieving this goal. Provisions of the CRA Code Fundamentals dealing with CRA obligations to issuers are designed to improve

[1] CRAs typically provide credit ratings for different types of debts and financial obligations — including, for example, private loans, publicly and privately traded debt securities, preferred shares and other securities that offer a fixed or variable rate of return. For simplicity's sake, the term "debt and debt-like securities" is used herein to refer to debt securities, preferred shares, and other financial obligations of this sort that CRAs rate.

the quality of credit ratings and their usefulness to investors. These provisions should not be interpreted in ways that undermine the independence of CRAs or their ability to issue timely ratings opinions.

Like the IOSCO CRA Principles, the objectives of which are reflected herein, the CRA Code Fundamentals are also intended to be useful to all types of CRAs relying on a variety of different business models. The CRA Code Fundamentals do not indicate a preference for one business model over another, nor are the measures described therein designed to be used only by CRAs with large staffs and compliance functions. Accordingly, the types of mechanisms and procedures CRAs adopt to ensure that the provisions of the CRA Code Fundamentals are followed will vary according to the market and legal circumstances in which the CRA operates.

Structurally, the CRA Code Fundamentals are broken into three sections and draw upon the organization and substance of the Principles themselves:

- The Quality and Integrity of the Rating Process;
- CRA Independence and the Avoidance of Conflicts of Interest; and,
- CRA Responsibilities to the Investing Public and Issuers.

TERMS

The CRA Code Fundamentals are designed to apply to any CRA and any person employed by a CRA in either a full-time or part-time capacity. A CRA employee who is primarily employed as a credit analyst is referred to as an "analyst."

For the purposes of the CRA Code Fundamentals, the terms "CRA" and "credit rating agency" refer to:

- Those entities whose primary business is the issuance of credit ratings for the purposes of evaluating the credit risk of issuers or debt and debt-like securities; or
- Any organization whose ratings are recognized for regulatory purposes by a financial regulatory authority.

For the purposes of the CRA Code Fundamentals, a "credit rating" is an opinion forecasting the creditworthiness of an entity, a credit commitment, a debt or debt-like security or an issuer of such obligations, expressed using an established and defined ranking system. As described in the CRA Report, credit ratings are not recommendations to purchase or sell any security.

THE IOSCO CODE OF CONDUCT REGARDING THE ACTIVITIES OF CREDIT RATING AGENCIES

As described in the IOSCO CRA Principles, CRAs should endeavor to issue opinions that help reduce the asymmetry of information that exists between borrowers and debt and debt-like securities issuers, on one side, and lenders and the purchasers of debt and debt-like securities on the other. Rating analyses of low quality or produced through a process of questionable integrity are of little use to market participants. Stale ratings that fail to reflect changes to an issuer's financial condition or prospects may mislead market participants. Likewise, conflicts of interest or other undue factors – internal and external – that might, or even appear to, impinge upon the independence of a rating decision can seriously undermine a CRA's credibility. Where conflicts of interest or a lack of independence is common at a CRA and hidden from investors, overall investor confidence in the transparency and integrity of a market can be harmed. CRAs also have responsibilities to the investing public and to issuers themselves, including a responsibility to protect the confidentiality of some types of information issuers share with them.

To help achieve the objectives outlined in the CRA Principles, which should be read in conjunction with the CRA Code Fundamentals, CRAs should adopt, publish and adhere to a Code of Conduct containing the following measures:

1. QUALITY AND INTEGRITY OF THE RATING PROCESS

A. Quality of the Rating Process

1.1 The CRA should adopt, implement and enforce written procedures and methodologies to ensure that the opinions it disseminates are based on a thorough analysis of all relevant information available to the CRA.

1.2 The CRA should use rating methodologies that are rigorous, systematic, and, where possible, result in ratings that can be subjected to some form of objective validation based on historical experience.

1.3 In assessing an issuer's creditworthiness, analysts involved in the preparation or review of any rating action should use methodologies established by the CRA.

1.4 Credit ratings should be assigned by the CRA and not by any individual analyst employed by the CRA; ratings should reflect all public and nonpublic information known, and believed to be relevant, to the CRA; and the CRA should use people who, individually or collectively have appropriate knowledge and experience in developing a rating opinion for the type of credit being applied.

1.5 The CRA should maintain internal records to support its credit opinions for a reasonable period of time or in accordance with applicable law.

1.6 The CRA and its analysts should take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of an issuer or obligation.

1.7 The CRA should ensure that it has and devotes sufficient resources to carry out high-quality credit assessments of all obligations and issuers it rates. When deciding whether to rate or continue rating an obligation or issuer, it should assess whether it is able to devote sufficient personnel with sufficient skill sets to make a proper rating assessment, and whether its personnel likely will have access to sufficient information needed in order make such an assessment.

1.8 The CRA should structure its rating teams to promote continuity and avoid bias in the rating process.

B. Monitoring and Updating

1.9 Except for "point in time" ratings that clearly indicate they do not entail ongoing surveillance, once a rating is published, the CRA should monitor on an ongoing basis and update the rating by:

a. regularly reviewing the issuer's creditworthiness;

b. initiating a review of the status of the rating upon receipt of any information that might reasonably be expected to result in a rating action (including termination of a rating); and,

c. updating on a timely basis the rating, as appropriate, based on the results of such review.

1.10 Where a CRA makes its ratings available to the public, the CRA should publicly announce if it discontinues rating an issuer or obligation. Continuing publications by the CRA of the discontinued rating should indicate the date the rating was last updated and the fact that the rating is no longer being updated. Where a CRA's ratings are provided only to its subscribers, the CRA should announce to its subscribers if it discontinues rating an issuer or obligation. Continuing publications by the CRA of the discontinued rating should indicate the date the rating was last updated and the fact that the rating is no longer being updated.

C. Integrity of the Rating Process

1.11 The CRA and its employees should comply with all applicable laws, rules and regulations governing its activities in each jurisdiction in which it operates.

1.12 The CRA and its employees should deal fairly and honestly with issuers, investors, other market participants, and the public.

1.13 The CRA's analysts should be held to high standards of integrity, and the CRA will not employ individuals with demonstrably compromised integrity.

1.14 The CRA and its employees should not, either implicitly or explicitly, give issuers any assurance or guarantee of a particular rating prior to a rating assessment.

1.15 The CRA should institute policies and procedures that clearly specify a person responsible for the CRA's and the CRA's employees' compliance with the provisions of the CRA's code of conduct and with applicable laws and regulations. This person's reporting lines and compensation should be independent of the CRA's rating operations.

1.16 Upon becoming aware that another employee or entity associated with the CRA is or has engaged in conduct that is illegal, unethical or contrary to the CRA's code of conduct, a CRA employee should report such information immediately to the individual in charge of compliance or an officer of the CRA, as appropriate, so proper action may be taken. Its employees are not necessarily expected to be experts in the law. Nonetheless, its employees are expected to report the activities that a reasonable person would question. Any

CRA officer who receives such a report from a CRA employee is obligated to take appropriate action, as determined by the laws and regulations of the jurisdiction and the rules and guidelines set forth by the CRA.

2. CRA INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. General

2.1 The CRA and its analysts should use care and professional judgment to maintain both the substance and appearance of independence and objectivity.

2.2 The determination of a credit rating should be influenced only by factors relevant to the credit assessment.

2.3 The CRA should not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on the CRA, an issuer, an investor, or other market participant.

2.4 The credit rating a CRA assigns to an issuer or security should not be affected by the existence of or potential for a business relationship between the CRA (or its affiliates) and the issuer (or its affiliates) or any other party, or the non-existence of such a relationship.

2.5 The CRA should separate its credit rating business and CRA analysts from any other businesses of the CRA, including consulting businesses, that may present a conflict of interest.

B. CRA Procedures and Policies

2.6 The CRA should adopt written internal procedures and mechanisms to (1) identify, and (2) eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses CRAs make or the judgment and analyses of the individuals the CRAs employ who have an influence on ratings decisions. The CRA's code of conduct should also state that the CRA will disclose such conflict avoidance and management measures.

2.7 The CRA's disclosures of actual and potential conflicts of interest should be complete, timely, clear, concise, specific and prominent.

2.8 The CRA should disclose the general nature of its compensation arrangements with rated entities. Where a CRA receives from a rated entity compensation unrelated to its rating service, such as compensation for consulting services, the CRA should disclose the proportion such non-rating fees constitute against the fees the CRA receives from the entity for ratings services.

2.9 The CRA and its staff should not engage in any securities or derivatives trading presenting conflicts of interest with the CRAs ratings activities.

2.10 In instances where rated entities (e.g., governments) have, or are simultaneously pursuing, oversight functions related to the CRA, the CRA should use different employees to conduct its rating actions than those employees involved in its oversight issues.

C. CRA Analyst and Employee Independence

2.11 Reporting lines for CRA employees and their compensation arrangements should be structured to eliminate or effectively manage actual and potential conflicts of interest. The CRA's code of conduct should also state that a CRA analyst will not be compensated or evaluated on the basis of the amount of revenue that the CRA derives from issuers that the analyst rates or with which the analyst regularly interacts.

2.12 The CRA should not have analysts initiate, or participate in, discussions regarding fees or payments with any entity they rate.

2.13 No CRA employee should participate in or otherwise influence the determination of the CRA's rating of any particular entity or obligation if the employee:

a. Owns securities or derivatives of the rated entity or any related entity thereof;

b. Has had an employment or other significant business relationship with the rated entity within the previous six months;

c. Has an immediate relation (i.e., spouse, partner, parent, child, sibling) who currently works for the rated entity; or

d. Has, or had, any other relationship with the rated entity or any agent of the rated entity that may be perceived as presenting a conflict of interest.

2.14 The CRA's analysts and anyone involved in the rating process (or members of their immediate household) should not buy or sell or engage in any transaction in any security or derivative based on a security issued, guaranteed, or otherwise supported by any entity within such analyst's area of primary analytical responsibility, other than holdings in diversified mutual funds.

2.15 CRA employees should be prohibited from soliciting money, gifts or favors from anyone with whom the CRA does business and should be prohibited from accepting gifts offered in the form of cash or any gifts exceeding a minimal monetary value.

2.16 Any CRA analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a rated entity or agent of such entity within his or her area of analytic responsibility), should be required to disclose such relationship to the appropriate manager or officer of the CRA, as determined by CRA compliance policies.

3. CRA RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS

A. Transparency and Timeliness of Ratings Disclosure

3.1 The CRA should distribute in a timely manner its ratings decisions regarding the entities and securities it rates.

3.2 The CRA should publicly disclose its policies for distributing ratings and reports.

3.3 Except for "private ratings" provided only to the issuer, the CRA should disclose to the public, on a non-selective basis and free of charge, any rating regarding publicly issued securities, or public issuers themselves, as well as any subsequent decisions to discontinue such a rating, if the rating action is based in whole or in part on material non-public information.

3.4 The CRA should publish sufficient information about its procedures, methodologies and assumptions so that outside parties can understand how a rating was arrived at by the CRA. This information will include (but not be limited to) the meaning of each rating category and the definition of default and the time horizon the CRA used when making a rating decision.

3.5 When issuing a rating, CRAs should explain in their press releases and reports the key elements underlying their rating decision.

3.6 Where feasible and appropriate, prior to issuing or revising a rating, the CRA should advise the issuer of the critical information and principal considerations upon which a rating will be based and afford the issuer an opportunity to clarify any likely factual misperceptions or other matters that the CRA would wish to be made aware of in order to produce an accurate rating. The CRA will duly evaluate the response.

3.7 In order to promote transparency and to enable the market to best judge the performance of the ratings, the CRA, where possible, should publish sufficient information about the historical default rates of CRA rating categories and whether the default rates of these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how ratings categories have changed, and be able to draw quality comparisons among ratings given by different CRAs. If the nature of the rating or other circumstances make a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, the CRA should explain this.

3.8 The CRA should disclose when its ratings are not initiated at the request of the issuer and whether the issuer participated in the rating process.

3.9 Because users of credit ratings rely on an existing awareness of CRA practices, procedures and processes, the CRA should fully and publicly disclose modification of these practices, procedures and processes. The CRA should carefully consider the various uses of credit ratings before modifying its practices, procedures and processes.

B. The Treatment of Confidential Information

3.10 The CRA should adopt procedures and mechanisms to protect the confidential nature of information shared with them by issuers under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially. Unless otherwise permitted by the confidentiality agreement or required by applicable laws or regulations, the CRA and its employees should not disclose confidential information in press releases, through research conferences, to future employers, or conversations with investors, other issuers, or other persons, or otherwise.

3.11 Where a CRA is made aware of non-public information of the kind required to be disclosed under applicable laws and regulations, depending on the jurisdiction, the CRA may be obligated to make this information available to the public. However, prior to doing so, the CRA should indicate to the issuer its intent to release this information and permit the issuer to immediately disclose this information itself. The timeframe a CRA should provide an issuer to make this disclosure should be limited.

3.12 The CRAs should use confidential information only for purposes related to their rating activities or otherwise in accordance with their confidentiality agreements with the issuer.

3.13 CRA employees should take all reasonable measures to protect all property and records belonging to or in possession of the CRA from fraud, theft or misuse.

3.14 CRA employees should be prohibited from engaging in transactions in securities when they possess confidential information concerning the issuer of such security.

3.15 In preservation of confidential information, CRA employees should familiarize themselves with the internal securities trading policies maintained by their employer, and periodically certify their compliance as required by such policies.

3.16 CRA employees should not selectively disclose any non-public information about rating opinions or possible future rating actions of the CRA.

3.17 CRA employees should not share confidential information entrusted to the CRA with employees of any affiliated entities that are not CRAs. CRA employees should not share confidential information within the CRA except on an "as needed" basis.

3.18 CRA employees should not use or share confidential information for the purpose of trading securities, or for any other purpose except the conduct of the CRA's business.

4. DISCLOSURE OF THE CODE OF CONDUCT

4.1 The CRA should disclose to the public its code of conduct and describe how the provisions of its code of conduct are consistent with the provisions of the IOSCO Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies. The CRA should also describe generally how it intends to implement and enforce its code of conduct and disclose on a timely basis any changes to its code of conduct or how it is implemented and enforced.

1.3 News Releases

1.3.1 OSC Charges Against Discovery Biotech Inc. to be spoken to November 17, 2004

FOR IMMEDIATE RELEASE
October 18, 2004

OSC CHARGES AGAINST DISCOVERY BIOTECH INC. TO BE SPOKEN TO NOVEMBER 17, 2004

TORONTO – At an appearance today at Old City Hall (the Ontario Court of Justice), the proceeding commenced by the Ontario Securities Commission (OSC) against Discovery Biotech Inc. and three of its directors and officers was adjourned to November 17, 2004 at 9:00 a.m. in court room C, Old City Hall, to be spoken to at that time.

On June 2, 2004, the OSC charged Discovery Biotech Inc., Orest Lozynsky, Robert Vandenberg and Howard Rash with violations of the Ontario *Securities Act*. A copy of schedule "A" to the information sworn in respect of the these charges is available on the OSC's website (**www.osc.gov.on.ca**), along with the related the notice of hearing and the statement of allegations.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

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

1.3.2 OSC Chair David Brown Welcomes Committee Report

FOR IMMEDIATE RELEASE
October 18, 2004

OSC CHAIR DAVID BROWN WELCOMES COMMITTEE REPORT

TORONTO – Ontario Securities Commission Chair David Brown welcomed the report tabled in the Ontario Legislature today by Pat Hoy, Chair of the Standing Committee on Finance and Economic Affairs. "This report highlights key issues that must be addressed in regulatory reform today," said Mr. Brown.

"The Committee report deals with a number of important initiatives raised in the Five Year Review Committee Report," said Mr. Brown. "Putting these recommendations in place will strengthen investor protection and confidence in the integrity of our capital markets."

The report recommends a single securities regulator with a separate adjudicative function. If there is no substantive progress towards the establishment of a single securities regulator over the next 12 months, the OSC will work with the government to explore separating the adjudicative function from the Commission. "We will be pleased to work in partnership with the government to fashion a solution that is in the best interests of investors and market participants," said Mr. Brown.

Another recommendation in the report is that the government work together with the OSC to come up with a workable mechanism to allow investors to pursue restitution in a way that is timely and affordable. "Our goal is to ensure that investors have access to an effective restitution process that is easily accessible and affordable," concluded Mr. Brown.

The Standing Committee report concludes the review by the Standing Committee on Finance and Economic Affairs which held hearings held last August into the legislation, regulations and rules relating to matters dealt with by the Commission and the legislative needs of the Commission. It is available on the Legislature Assembly's web site (http://www.ontla.on.ca/committees/finance.htm).

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

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

1.3.3 OSC Adjourns ATI Hearing

FOR IMMEDIATE RELEASE
October 20, 2004

OSC ADJOURNS ATI HEARING

TORONTO – The Ontario Securities Commission adjourned the hearing against ATI Technologies Inc., K.Y. Ho, Betty Ho, Jo-Anne Chang, David Stone, Mary de la Torre, Alan Rae and Sally Daub. Although Staff of the Commission opposed the Respondents' request for an adjournment, the panel agreed to adjourn the hearing when it became clear that the hearing could not be completed in the time presently scheduled and could only be completed after a lengthy break between Staff's case and the Respondents' cases. As a result, the panel adjourned the matter to commence on March 29, 2005 and to continue on scheduled days until June 3, 2005.

ATI is alleged to have failed to disclose material information on a timely basis and to have made a misleading statement to Staff.

K.Y. Ho, Betty Ho, Jo-Anne Chang, David Stone, Mary de la Torre, and Alan Rae are alleged to have committed illegal insider trading. Daub is alleged to have made a misleading statement to Staff.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

For Investor Inquiries: OSC Contact Centre
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Nexen Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the delivery requirements in section 4.6(3) of National Instrument 51-102 Continuous Disclosure Obligations – Requirements resulted in the issuer being obligated to deliver financial statements and MD&A to those shareholders who request paper copies of the documents at the same time it was required to file these documents with the SEC – Relief subject to conditions the filer delivers the financial statements and related MD&A (a) in case of annual financial statements and related MD&A, by the later of 90 days, or 120 days if the filer is a venture issuer, after its financial year end, and 10 calendar days after the filer receives the request; and (b) in case of interim financial statements and related MD&A, by the later of 45 days, or 60 days if the filer is a venture issuer, after the end of the interim period, and 10 calendar days after the filer receives the request.

Instrument

National Instrument 51-102 – Continuous Disclosure Obligations, Parts 4 and 5.

October 14, 2004

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

AND

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

AND

IN THE MATTER OF
NEXEN INC. (THE "FILER")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebéc, New Brunswick, Nova Scotia and Newfoundland and Labrador (the "**Jurisdictions**") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for an exemption from the requirement to deliver its financial statements and management's discussion and analysis ("**MD&A**") to any securityholder that requests a copy by the date the Filer files the financial statements and MD&A with the SEC (the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

Defined terms contained in National Instrument 14-101 Definitions and in National Instrument 51-102 Continuous Disclosure Obligations have the same meaning in this decision unless they are defined in this MRRS Decision Document.

Representations

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

1. The Filer is a Canadian-based global energy and chemicals company incorporated under the laws of Canada with its head office located in Calgary, Alberta.

2. The Filer is a "reporting issuer" or has equivalent status in each of the provinces of Canada within the meaning of the securities laws in such jurisdictions and is a SEC issuer.

3. The common shares of the Filer are listed on the Toronto Stock Exchange and the New York Stock Exchange.

4. The Filer files interim financial statements and annual financial statements (collectively, the "**Financial Statements**") and related MD&A with: i) the securities regulatory authorities in each of the Jurisdictions (the "**Commissions**") in accordance with the Legislation, and ii) the SEC, in accordance with the requirements of the Securities Exchange Act of 1934, as amended.

5. The Filer is required to deliver to securityholders of the Filer who have requested financial statements and MD&A under the Legislation ("**Requesting Securityholders**") copies of the requested Financial Statements and MD&A. The Legislation requires that copies of the requested Financial Statements and MD&A must be sent to a Requesting Securityholder by the later of: (i) the "filing deadline" for the Financial Statements and MD&A requested (the "**Delivery Deadline**"), and (ii) 10 calendar days after the Filer receives the request.

6. The "filing deadline" for the Filer is determined pursuant to provisions in the Legislation which state that the Financial Statements and MD&A must be filed:

   (a) in the case of the Filer's annual financial statements and related MD&A, on or before the earlier of:

      (i) the 90th day after the end of its most recently completed financial year; and

      (ii) the date of filing of the Filer's annual financial statements with the SEC; or

   (b) in the case of the Filer's interim financial statements and related MD&A, on or before the earlier of:

      (i) the 45th day after the end of the interim period; and

      (ii) the date of filing of the Filer's interim financial statements with the SEC.

7. The Filer files its annual financial statements and interim financial statements and related MD&A with the Commissions in accordance with the Legislation, concurrent with the filing of such materials with the SEC and, in the ordinary course, these filings are made prior to the "filing deadline" otherwise applicable pursuant to the Legislation if such materials were not also filed with the SEC, as outlined above. Accordingly, the Delivery Deadline for Financial Statements and related MD&A is generally determined, pursuant to the Legislation, to be the date upon which the Filer files the Financial Statements with the SEC.

8. Because the Delivery Deadline under the Legislation is effectively triggered for the Filer by the filing of Financial Statements and related MD&A with the SEC, the Filer must delay filing such materials with the Commissions and the SEC, even though they are available for filing, in order to be able to satisfy the delivery obligations under the Legislation.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted, provided that the Filer delivers the financial statements and related MD&A to a Requesting Securityholder:

   (a) in the case of its annual financial statements and MD&A relating to its annual financial statements, by the later of:

      (i) 90 days, or 120 days if the Filer is a venture issuer, after its financial year end; and

      (ii) 10 calendar days after the Filer receives the request; and

   (b) in the case of its interim financial statements and MD&A relating to its interim financial statements, by the later of:

      (i) 45 days, or 60 days if the Filer is a venture issuer, after the end of the interim period; and

      (ii) 10 calendar days after the Filer receives the request.

"Mavis Legg, C.A."
Manager, Securities Analysis
Alberta Securities Commission

2.1.2 Command Post and Transfer Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to be no longer a reporting issuer under securities legislation (for MRRS Decisions).

Applicable Ontario Statutory Provisions

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

October 18, 2004

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO AND ALBERTA (THE JURISDICTIONS)

AND

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

AND

IN THE MATTER OF
COMMAND POST AND TRANSFER CORPORATION
(THE FILER)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer is deemed to have ceased to be a reporting issuer in each Jurisdiction (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation amalgamated under the *Business Corporations Act* (Ontario) (the OBCA) and its head office is located in Toronto, Ontario.

2. The Filer is a reporting issuer or the equivalent under the Legislation.

3. The authorized capital of the Filer is an unlimited number of Preference Shares (509,551 are Series 1 Preference Shares) and an unlimited number of common shares (the Common Shares).

4. On April 6, 2004, Technicolor Creative Services Canada, Inc. (Technicolor) a wholly-owned subsidiary of Thomson SA, commenced a take-over bid for all of the Common Shares. The take-over bid expired on May 12, 2004 and on May 12, 2004 Technicolor took up and paid for 19,213,801 tendered shares, representing approximately 97.04% of the Common Shares.

5. On June 4, 2004, Technicolor mailed a Notice of Compulsory Acquisition under subsection 188(2) of the OBCA to holders of Common Shares not tendered pursuant to the take-over bid.

6. The Common Shares were delisted from the TSX – Venture Exchange on May 19, 2004.

7. As of July 15, 2004, all the issued and outstanding Common Shares are currently held by Technicolor.

8. The Filer is currently in default with respect to the filing of its most recent annual and interim financial statements, Management's Discussion and Analysis, Annual Information Form and participation fees, it was not in default at the time of the above transactions.

9. The Filer is not in default of any other obligations under the Legislation as a reporting issuer.

10. The Filer has no intention to seek public financing by offering its securities in Canada.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

"Paul M. Moore, Q.C."
Vice-Chair
Ontario Securities Commission

"H. Lorne Morphy, Q.C."
Commissioner
Ontario Securities Commission

2.1.3 The Vengrowth III Investment Fund Inc. - MRRS Decision

Headnote

Exemption from section 2.1 of National Instrument 81-105 Mutual Fund Sales Practices granted to labour sponsored investment fund corporation to permit it to pay certain specified distribution costs out of fund assets.

Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices.

October 4, 2004

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

AND

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

AND

IN THE MATTER OF
THE VENGROWTH III INVESTMENT FUND INC.
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under section 9.1 of *National Instrument 81-105, Mutual Fund Sales Practices* (the Legislation) that the prohibition against the making of certain payments by the Filer to participating dealers shall not apply to the Filer;

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation incorporated under the Canada Business Corporations Act by articles of incorporation dated April 26, 2004.

2. The Filer is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the Ontario Act).

3. The Filer has applied to be registered as a labour sponsored venture capital corporation under the *Income Tax Act* (Canada) (the Tax Act).

4. The Filer is a mutual fund pursuant to the securities legislation of the Jurisdictions. The Filer is not considered a mutual fund in Quebec. The Filer will distribute securities in the Jurisdictions and Quebec under a prospectus. The Filer has filed a preliminary prospectus dated July 13, 2004 under SEDAR Project No. 666722 in each of the Jurisdictions and Quebec.

5. The Filer will become a "reporting issuer" or equivalent in the Jurisdictions and Quebec that have this concept when its prospectus is receipted in such Jurisdictions and Quebec.

6. The Filer will invest in small and medium-sized eligible Canadian businesses with the objective of achieving long-term capital appreciation.

7. The authorized capital of the Filer consists of an unlimited number of Class A Shares, 25,000 Class B Shares and 10,000 Class C Shares, of which 100 Class B Shares and 100 Class C Shares are issued and outstanding as of the date hereof.

8. VenGrowth III Capital Management (the Manager) is the sole owner of the Class C Shares of the Filer (the Class C Shares).

9. The Filer's securities are not listed on any exchange.

10. The Association of Canadian Financial Officers (formerly the Association of Public Service Financial Administrators), the sponsor of the Filer, formed and organized the Filer.

11. As will be disclosed in the Filer's prospectus, the Filer or the Manager will pay the following distribution costs (Distribution Costs) as set forth below:

    (a) Purchasers of Class A Shares will have the option to select from one of two commission options when purchasing Class A Shares (described in the Filer's prospectus as Option I and Option II). Under either option investors will not pay any sales commissions directly. Under Option I, the dealer from whom the purchaser purchases his or her Class A Shares will be paid a sales commission equal to 6% of the gross proceeds received on a subscription for Class A Shares. The Filer and the Manager have agreed that (subject to termination on 90 days' notice by the Manager) the Manager will pay sales commissions to dealers selling Class A Shares pursuant to Option I. The Manager is compensated by the Filer for the payment of sales commissions (and the provision of various other services) through the fees paid in respect of general and investment management services, funding services, marketing dealer support and ancillary services. These fees enable the Manager to arrange its own financing to pay the sales commissions. Under Option II, there will be no sales commission paid to dealers;

    (b) The Filer will pay to each dealer having clients holding Class A Shares purchased pursuant to Option I a monthly servicing commission of 1/12 of 0.50% of the total net asset value per Class A Shares held by those clients. Each dealer having clients holding Class A Shares purchased pursuant to Option II will receive a monthly servicing commission of 1/12 of 1.25% of the total net asset value of Class A Shares held by those clients. The Filer will pay that part of the servicing commission equal to 0.50% of the total net asset value of Class A Shares that choose Option II and the Manager will pay the remaining 0.75% of such amount (collectively, the servicing commissions paid by the Filer under Option I and Option II being referred to as the Servicing Commission); and

    (c) the reimbursement of co-operative marketing expenses (the Co-op Expenses) incurred by certain dealers in promoting sales of the Class A Shares, pursuant to co-operative marketing agreements the Filer enters into with such dealers from time to time. For accounting purposes, the Filer expenses the Co-op Expenses in the fiscal period when incurred and does not defer or amortize any Co-op Expenses.

12. The structural aspects of the Filer relating to the payment of commissions are consistent with the legislative requirements contemplated under the Ontario Act. Gross investment amounts will be paid to the Filer as opposed to, for example, first deducting a commission and remitting the net investment amount to the Filer, in order to ensure that the entire amount paid by an investor is eligible for applicable federal, and in the case of Ontario, provincial tax credits which arise on the purchase of the Class A Shares of the Filer. Section 25(4) of the Ontario Act, for example, provides that the provincial tax credit is a defined percentage of the amount received by the corporation as equity capital on the issue. Accordingly, the most tax efficient way for sales commissions to be financed is in the manner described above.

13. Due to the structure of the Filer, the most tax efficient way for the Distribution Costs to be financed is for the Filer or the Manager to pay them directly.

14. The payment of commissions on the sale of Class A Shares by the Filer is an event contemplated under the Ontario Act and the Tax Act.

15. As other labour sponsored investment funds have been granted this relief, requiring investors to pay the Distribution Costs would put the Filer at a permanent and serious competitive disadvantage with its competitors.

16. The Filer undertakes to comply with all other provisions of NI 81-105. In particular, the Filer undertakes that all Distribution Costs paid by it will be compensation permitted to be paid to participating dealers under NI 81-105.

Decision

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

The decision of the Decision Makers under the Legislation is that the Filer shall be exempt from the Legislation in order to permit the Filer to pay the Servicing Commission and the Co-op Expenses directly provided that:

1. The Distribution Costs are otherwise permitted by, and paid in accordance with, NI 81-105;

2. The Filer will in its financial statements expense the Servicing Commission and the Co-op Expenses in the fiscal period when incurred; unless any securities laws applicable to the Fund from time to time specifically require accounting treatments other than as described;

3. The summary section of the prospectus of the Filer (the Summary Section) has full, true and plain disclosure explaining to investors that they indirectly support the payment of the sales commission as the Manager pays the sales commissions when a purchaser purchases his or her Class A Shares under Option I but the Manager is compensated by the Filer for the payment of sales commissions (and the provision of various other services) through the fees paid in respect of general and investment management services, funding services, marketing dealer support and ancillary services described in the Summary Section. The Summary Section must be placed within the first 10 pages of the prospectus;

4. The Filer shall include in the Summary Section a summary table of fees and expenses payable by the Filer in the following format:

Summary of Fees, Charges and Other Expenses Payable by the Fund

Type and Amount of Fee	**Description**

5. The summary table shall also include the annual management expense ratio of the Filer for each of the last five completed financial years of the Filer with a brief description of the method of calculating the management expense ratio and the annual returns of the Filer for each of the last five completed financial years of the Filer;

6. This exemption shall cease to be operative with respect to each Decision Maker on the date that a rule or regulation replacing or amending section 2.1 of NI 81-105 comes into force.

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

2.1.4 4258703 Canada Inc. (formerly Defiance Mining Corporation) - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

October 4, 2004

File No. 831/04

Cassels Brock LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Jason Trainor

Dear Mr. Trainor:

Re: 4258703 Canada Inc. (formerly Defiance Mining Corporation) (the "Applicant") - application to cease to be a reporting issuer under the securities legislation of Ontario, Alberta, Quebec and Saskatchewan (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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

"Charlie MacCready"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.5 AXA S.A. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Application for relief from prospectus requirements in respect of certain trades in units of an employee savings fund made pursuant to a classic offering and a leveraged offering by French issuer, provided that all sales of such units pursuant to the leveraged offering be made through a registrant – Relief from registration and prospectus requirements upon the redemption of such units for shares of the issuer – Relief from the registration and prospectus requirements granted in respect of first trade of such shares where such trade is made through the facilities of a stock exchange outside of Canada – Relief granted to the manager of the fund from the adviser registration requirement

Applicable Ontario Statutory Provisions

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

Rules

Multilateral Instrument 45-102 Resale of Securities.
Multilateral Instrument 45-105 Trades to Employees, Senior Officers, Directors and Consultants.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR

AND

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

AND

IN THE MATTER OF
AXA S.A.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of British Columbia, Alberta, Manitoba, Ontario, Québec, New Brunswick and Newfoundland and Labrador (collectively, the "**Jurisdictions**") has received an application from AXA S.A. (the "**Filer**") for a decision under the securities legislation (the "**Legislation**") of the Jurisdictions that:

(i) the prospectus requirements contained in the Legislation shall not apply to certain trades in units ("**Units**") of the AXA Actions Relais Global 12-04 Fund (the "**Intermediary Classic Fund**"), the AXA Actionnariat II Fund (the "**Classic Fund**") and the AXA Plan 2004 Global Fund (the "**Leveraged Fund**" and, together with the Intermediary Classic Fund and the Classic Fund, the "**Funds**") made pursuant to the Employee Share Offering (as defined below) to or with Qualifying Employees (as defined below) resident in the Jurisdictions who elect to participate in the Employee Share Offering (the "**Canadian Participants**");

(ii) the registration requirements contained in the Legislation shall not apply to trades in Units of the Classic Fund made pursuant to the Employee Share Offering to or with Canadian Participants, nor to trades in Units of the Leveraged Fund made pursuant to the Employee Share Offering to or with Canadian Participants not resident in Ontario or Manitoba;

(iii) the registration and prospectus requirements shall not apply to the trades of ordinary shares of the Filer (the "**Shares**") by the Funds to Canadian Participants upon the redemption of Units by Canadian Participants, nor to the issuance of Units of the Classic Fund to holders of Leveraged Fund Units upon the transfer of the assets of the Leveraged Fund to the Classic Fund at the end of the Lock-Up Period (as defined below);

(iv) the registration and prospectus requirements shall not apply to the first trade in any Shares acquired by Canadian Participants under the Employee Share Offering where such trade is made through the facilities of a stock exchange outside of Canada; and

(v) the manager of the Funds, AXA Investment Managers Paris (the "**Manager**") is exempt from the adviser registration requirements contained in the Legislation to the extent that its activities in relation to the Employee Share Offering require compliance with such requirements.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Autorité des marchés financiers 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 Filer has represented to the Decision Makers that:

1. The Filer is a corporation formed under the laws of France. It is not and has no intention of becoming a reporting issuer (or equivalent) under the Legislation. The Shares are listed on Euronext Paris and on the New York Stock Exchange (in the form of American Depositary Shares).

2. The Filer carries on business in Canada through the following affiliated companies: AXA Assurances Inc., AXA Canada Inc., AXA Insurance (Canada), AXA Pacific Insurance Company, Insurance Corporation of Newfoundland Limited, AXA Assistance Canada Inc., AXA RE, and AXA Corporate Solutions Assurance (the "**Canadian Affiliates**", together with the Filer and other affiliates of the Filer, the "**AXA Group**"). Each of the Canadian Affiliates is a direct or indirect controlled subsidiary of the Filer and is not, and has no intention of becoming, a reporting issuer (or equivalent) under the Legislation.

3. The Filer has established a worldwide stock purchase plan for employees of the AXA Group (the "**Employee Share Offering**") which is comprised of two subscription options: (i) an offering of Shares to be subscribed through the Intermediary Classic Fund (and eventually held in the Classic Fund) (the "**Classic Plan**"); and (ii) an offering of Shares to be subscribed through the Leveraged Fund (the "**Leveraged Plan**").

4. Only persons who are employees of a member of the AXA Group at the time of the Employee Share Offering (the "**Employees**"), or persons who have retired from an affiliate of the AXA Group and who continue to hold units in French investment funds in connection with previous employee share offerings by the Filer (the "**Retired Employees**" and, together with the Employees, the "**Qualifying Employees**") will be invited to participate in the Employee Share Offering.

5. The Funds were established for the purpose of implementing the Employee Share Offering.

6. The Funds are not and have no intention of becoming reporting issuers under the Legislation.

7. The Funds are collective shareholding vehicles (fonds communs de placement d'entreprise or "**FCPE**s") of a type commonly used in France for the conservation or custodianship of shares held by employee investors. Only Qualifying Employees will be allowed to hold Units of the Funds in an amount proportionate to their respective investments in the Funds.

8. Under French law, all Units acquired in the Employee Share Offering will be subject to a hold period of approximately five years (the "**Lock-Up Period**"), subject to certain exceptions prescribed by French law (such as a release on death or termination of employment). At the end of the Lock-Up Period, a Canadian Participant may:

   (i) redeem Units: (a) in the Classic Fund in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares, or (b) in the Leveraged Fund according to the Redemption Formula (described below), to be settled by delivery of the number of Shares equal to such amount or the cash equivalent, or

   (ii) continue to hold Units in the Classic Fund and redeem those Units at a later date in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares, (as explained below, at the end of the Lock-Up Period, holders of Units in the Leveraged Fund who do not redeem their Units will receive Units in the Classic Fund).

9. In the event of an early unwind resulting from the Canadian Participant satisfying one of the exceptions to the Lock-Up Period prescribed by French law, a Canadian Participant may redeem Units: (a) from the Classic Fund in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares, or (b) from the Leveraged Fund using the Redemption Formula (described below), but using the market value of the Shares at the time of unwind to measure the increase, if any, from the Reference Price (described below).

10. Under the Classic Plan, Canadian Participants will subscribe for Units in the Intermediary Classic Fund, which will subscribe for Shares on behalf of the Canadian Participants, at a subscription price that is equal to the average of the opening price of the Shares on the 20 trading days ending on the date of approval of the Employee Share Offering by the board of directors of the Filer (the "**Reference Price**"), less a 20% discount. After completion of the Employee Share Offering, the Intermediary Fund will be merged with the Classic Fund and Units of the Intermediary Fund held by Canadian Participants will be replaced with Units of the Classic Fund. Units of the Intermediary Fund will be exchanged for Units of the Classic Fund on a pro rata basis. Dividends paid on the Shares held in the Classic Fund will be contributed to the Classic Fund and used to purchase additional Shares. The Canadian Participants will receive additional Units or fractions of Units representing such Shares.

11. Under the Leveraged Plan, Canadian Participants will subscribe for Units in the Leveraged Fund, and the Leveraged Fund will then subscribe for Shares using the Employee Contribution (as

described below) and certain financing made available by BNP Paribas, a French financial institution governed by French law (the "**Bank**").

12. As with the Classic Plan, Canadian Participants in the Leveraged Plan receive a 20% discount in the Reference Price. Under the Leveraged Plan, the Canadian Participants effectively receive a share appreciation entitlement in the increase in value, if any, of the Shares financed by the Bank Contribution (as described below).

13. Participation in the Leveraged Plan represents an opportunity for Qualifying Employees potentially to obtain significantly higher gains than would be available through participation in the Classic Plan, by virtue of the Qualifying Employee's indirect participation in a financing arrangement involving a swap agreement (the "**Swap Agreement**") between the Leveraged Fund and the Bank. In economic terms, the Swap Agreement effectively involves the following exchange of payments: for each Share which may be subscribed for by the Qualifying Employee's contribution (the "**Employee Contribution**") under the Leveraged Plan at the Reference Price less the 20% discount, the Bank will lend to the Leveraged Fund (on behalf of the Canadian Participant) an amount sufficient to enable the Leveraged Fund (on behalf of the Canadian Participant) to subscribe for an additional nine Shares (the "**Bank Contribution**") at the Reference Price less the 20% discount.

14. Under the terms of the Swap Agreement, at the end of the Lock-Up Period (the "**Settlement Date**"), the Leveraged Fund will owe to the Bank an amount equal to the market value of the Shares held in that Fund, less

    (i) 100% of the Employee Contributions; and

    (ii) an amount equal to approximately 62.5% of the increase, if any, in the market price of the Shares from the Reference Price (the "**Appreciation Amount**").

15. If, at the Settlement Date, the market value of the Shares held in the Leveraged Fund is less than 100% of the Employee Contributions, the Bank will, pursuant to a guarantee agreement, make a cash contribution to the Leveraged Fund to make up any shortfall.

16. At the end of the Lock-Up Period, the Swap Agreement will terminate after the making of final swap payments and a Canadian Participant may redeem his or her Leveraged Fund Units in consideration for a payment of an amount equal to the value of the Canadian Participant's Employee Contribution and the Canadian Participant's portion of the Appreciation Amount, if any, to be settled by delivery of such number of Shares equal to such amount or the cash equivalent of such amount (the "**Redemption Formula**"). Following these redemptions, all assets (including Shares) remaining in the Leveraged Fund will be transferred to the Classic Fund. New Units of the Classic Fund will be issued to the applicable Canadian Participants in recognition of the assets transferred to the Classic Fund. The Canadian Participants may redeem the new Units whenever they wish.

17. Under no circumstances will a Canadian Participant in the Leveraged Fund be entitled to receive less than 100% of his or her Employee Contribution at the end of the Lock-Up Period, nor be liable for any other amounts.

18. Under French law, the Funds, as FCPEs, are limited liability entities. The risk statement provided to Canadian Participants will confirm that, under no circumstances, will a Canadian Participant in the Leveraged Plan be liable to any of the Leveraged Fund, the Bank or the Filer for any amounts in excess of his or her Employee Contribution under the Leveraged Plan.

19. During the term of the Swap Agreement, dividends paid on the Shares held in the Leveraged Fund will be remitted to the Leveraged Fund, and the Leveraged Fund will remit an equivalent amount to the Bank as partial consideration for the obligations assumed by the Bank under the Swap Agreement.

20. For Canadian federal income tax purposes, the Canadian Participants in the Leveraged Fund will be deemed to receive all dividends paid on the Shares financed by either the Employee Contribution or the Bank Contribution, at the time such dividends are paid to the Leveraged Fund, notwithstanding the actual non-receipt of the dividends by the Canadian Participants by virtue of the terms of the Swap Agreement. Consequently, Canadian Participants will be required to fund the tax liabilities associated with the dividends from their own resources.

21. The declaration of dividends on the Shares remains at the sole discretion of the board of directors of the Filer. The Filer has not made any commitment to the Bank as to any minimum payment in respect of dividends.

22. To respond to the fact that, at the time of the initial investment decision relating to participation in the Leveraged Plan, Canadian Participants will be unable to quantify their potential income tax liability resulting from such participation, the Filer will indemnify each Canadian Participant in the Leveraged Plan for all tax costs to the Canadian Participants associated with the payment of dividends in excess of a specified amount of euros

per Share during the Lock-Up Period such that, in all cases, a Canadian Participant will, at the time of the original investment decision, be able to quantify, with certainty, his or her maximum tax liability in connection with dividends received by the Leveraged Fund on his or her behalf under the Leveraged Plan.

23. At the time the Canadian Participant's obligations under the Swap Agreement are settled, the Canadian Participant will realize a capital gain (or capital loss) by virtue of having participated in the Swap Agreement to the extent that amounts received by the Leveraged Fund, on behalf of the Canadian Participant, from the Bank exceed (or are less than) amounts paid by the Leveraged Fund, on behalf of the Canadian Participant to the Bank. To the extent that dividends on Shares that are deemed to have been received by a Canadian Participant are paid by the Fund on behalf of the Canadian Participant to the Bank, such payments will reduce the amount of any capital gain (or increase the amount of any capital loss) to the Canadian Participant under the Swap Agreement. Capital losses (gains) realized by a Canadian Participant under the Swap Agreement may be offset against (reduced by) any capital gains (losses) realized by the Canadian Participant on a disposition of the Shares, in accordance with the rules and conditions under the *Income Tax Act* (Canada) or comparable provincial legislation (as applicable).

24. The Manager, AXA Investment Managers Paris, is an asset management company governed by the laws of France. The Manager is registered with the Autorité des marchés financiers (the "**French AMF**") to manage French investment funds and complies with the rules of the French AMF. The Manager is not and has no intention of becoming a reporting issuer under the Legislation.

25. The Manager's portfolio management activities in connection with the Employee Share Offering and the Funds are limited to subscribing for Shares from the Filer, selling such Shares as necessary in order to fund redemption requests, and such activities as may be necessary to give effect to the Swap Agreement.

26. The Manager is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of each Fund. The Manager's activities in no way affect the underlying value of the Shares and the Manager will not be involved in providing advice to any Canadian Participants.

27. Shares issued in the Employee Share Offering will be deposited in the relevant Fund through BNP Paribas Securities Services (the "**Depositary**"), a large French commercial bank subject to French banking legislation.

28. Under French law, the Depositary must be selected by the Manager from among a limited number of companies identified on a list by the French Minister of the Economy, Finance and Industry and its appointment must be approved by the French AMF. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow each Fund to exercise the rights relating to the securities held in its portfolio.

29. The Canadian resident Qualifying Employees will not be induced to participate in the Employee Share Offering by expectation of employment or continued employment.

30. The total amount invested by a Qualifying Employee in the Employee Share Offering, including any Bank Contribution, cannot exceed 25% of his or her estimated gross annual compensation for 2004, or for his or her last year of employment, as the case may be, although a lower limit may be established for Canadian Participants by the Canadian Affiliates.

31. None of the Filer, the Manager, the Canadian Affiliates or any of their employees, agents or representatives will provide investment advice to the Canadian Participants with respect to an investment in the Shares or the Units.

32. The Filer will retain a securities dealer registered as a broker/investment dealer under the Legislation of Ontario and Manitoba (the "**Registrant**") to provide advisory services to Canadian Participants resident in Ontario or Manitoba who express interest in the Leveraged Plan and to make a determination, in accordance with industry practices, as to whether an investment in the Leveraged Plan is suitable for each such Canadian Participant based on his or her particular financial circumstances. The Registrant will establish accounts for, and will receive the initial account statements from the Leveraged Fund on behalf of, such Canadian Participants. The Units of the Leveraged Fund will be issued by the Leveraged Fund to Canadian Participants resident in Ontario or Manitoba solely through the Registrant.

33. Units of the Leveraged Fund will be evidenced by account statements issued by the Leveraged Fund.

34. The Canadian Participants will receive an information package in the French or English language, as applicable, which will include a summary of the terms of the Employee Share Offering, a tax notice relating to the relevant Fund containing a description of Canadian income tax consequences of subscribing to and holding the Units in the Funds and redeeming Units for cash or Shares at the end of the Lock-Up Period. The

information package for Canadian Participants in the Leveraged Plan will also include a risk statement which will describe certain risks associated with an investment in Units pursuant to the Leveraged Plan, and a tax calculation document which will illustrate the general Canadian federal income tax consequences of participating in the Leveraged Plan.

35. Upon request, Canadian Participants may receive copies of the Filer's annual report on Form 20-F filed with the United States Securities and Exchange Commission (the "**SEC**") and/or the French *Document de Référence* filed with the French AMF in respect of the Shares and a copy of the relevant Fund's rules (which are analogous to company by-laws). The Canadian Participants will also receive copies of the continuous disclosure materials relating to the Filer furnished to AXA shareholders generally.

36. There are approximately 1,887 Employees resident in Canada, in the provinces of Québec (1,227), Ontario (359), British Columbia (140), Alberta (97), Newfoundland and Labrador (50), New Brunswick (10) and Manitoba (4), who represent in the aggregate approximately 2% of the number of Employees worldwide.

37. There are approximately 24 eligible Retired Employees resident in Canada, in the provinces of Québec (15), Ontario (7), and British Columbia (2), for a total of 1,911 Qualifying Employees resident in Canada.

38. As of the date hereof and after giving effect to the Employee Share Offering, Canadian residents do not and will not beneficially own (which term, for the purposes of this paragraph, is deemed to include all Shares held by the Funds on behalf of Canadian Participants) more than 10% of the Shares and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer.

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

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

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

(a) the prospectus requirements shall not apply to trades in Units of the Funds made pursuant to the Employee Share Offering to or with the Canadian Participants, provided that the first trade in Units acquired by Canadian Participants pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(b) the registration requirements shall not apply to:

(i) trades in Units of the Classic Fund made pursuant to the Employee Share Offering to or with Canadian Participants; and

(ii) trades in Units of the Leveraged Fund made pursuant to the Employee Share Offering to or with Canadian Participants not resident in Ontario and Manitoba;

(c) the registration and prospectus requirements shall not apply to:

(i) trades of Shares by the Funds to Canadian Participants upon the redemption of Units by Canadian Participants pursuant to the Employee Share Offering; and

(ii) the issuance of Units of the Classic Fund to holders of Leveraged Fund Units upon the transfer of the assets of the Leveraged Fund to the Classic Fund;

provided that, the first trade in any such Shares or Units acquired by a Canadian Participant pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(d) the registration and prospectus requirements shall not apply to the first trade in any Shares acquired by a Canadian Participant under the Employee Share Offering provided that such trade is:

(i) made through a person or company who/which is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the foreign jurisdiction where the trade is executed; and

(ii) executed through the facilities of a stock exchange outside of Canada; and

(e) the Manager shall be exempt from the adviser registration requirements, where applicable, in order to carry out the activities described in paragraphs 25 and 26 hereof.

October 19, 2004.

"Josée Deslauriers"

2.1.6 Basis100Inc. - MRRS Decision

Headnote

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

Ontario Statutes

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

October 20, 2004

Rima Ramchandani
Torys LLP
Suite 3000, 79 Wellington St. W.
Box 270, TD Centre
Toronto, ON M5K 1N2

Dear Ms. Ramchandani,

Re: Basis100 Inc. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland and Labrador ("Jurisdictions")

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

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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

"Cameron McInnis"
Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Red Back Mining Inc. - s. 144

Headnote

Variation pursuant to section 144(1) of the Securities Act, Ontario (the Act) of relief previously granted under Rule 61-501 – Related party transactions – Exemption from minority approval requirement granted in connection with proposed loan to be made to issuer by a related party. Terms of the loan have been materially amended requiring a variation of the previous order.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.

Rule Cited

Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 5.6 and 9.1.

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

AND

IN THE MATTER OF
RED BACK MINING INC.

ORDER
(Section 144)

WHEREAS on August 12, 2004, the Director made a decision (the "Original Decision") pursuant to section 9.1 of Ontario Securities Commission Rule 61-501 ("Rule 61-501") that Red Back Mining Inc. ("Red Back") is exempt from section 5.6 of Rule 61-501 (the "Minority Approval Requirement") in connection with certain credit facilities, including the issuance of warrants of Red Back (the "Original Loan"), obtained by Red Back from Macquarie Bank Limited ("Macquarie"), a related party of Red Back for the purposes of Rule 61-501;

AND WHEREAS, except as otherwise provided, the "Corporate Loan Facility", "Standby Loan Facility" and "Gold Hedging Facility" are as described in the Original Decision;

AND WHEREAS certain terms of the Original Loan have been revised (the "Revised Loan") since the date of the Original Decision;

AND WHEREAS Red Back has applied to the Director to vary the Original Decision, pursuant to section 144 of the Act, so that Red Back is exempt from the Minority Approval Requirement in connection with the Revised Loan;

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

AND UPON Red Back having represented to the Director as follows:

1. The Corporate Loan Facility will now be in the amount of USD$33,000,000. The interest rate on the Corporate Loan Facility will be 2.75% per annum above the USD LIBOR rate prior to the satisfaction of a completion test of Red Back's Chirano Gold Project in Ghana (the "Completion Test"). Once the Completion Test has been satisfied the interest rate will then be 2.25% per annum above the USD LIBOR for the remaining term of the Revised Loan.

2. Red Back must pay a Commitment Fee of 1.25% on the total Corporate Loan Facility. The Commitment Fee under the Revised Loan is payable in cash or may be satisfied by the issuance of common shares of Red Back (the "Red Back Shares") at a price that is not less than the market price of the Red Back Shares at such time. The price of the Red Back Shares on the TSX Venture Exchange as of October 5, 2004, was CDN$1.82.

3. Prior to the first draw-down of the Corporate Loan Facility, which must occur on or before December 31, 2004, Red Back will issue common share purchase warrants (the "Warrants") to Macquarie to purchase one million Red Back Shares. The Warrants will be exercisable at a price of CDN$2.25 per Red Back Share and shall have a term of three years from the date of issue.

4. The Standby Loan Facility will now be in the amount of USD$10,000,000. The interest rate on the Standby Loan Facility will be 2.75% per annum above the USD LIBOR rate prior to the satisfaction of the Completion Test. Once the Completion Test has been satisfied, the interest rate will then be 2.25% per annum above the USD LIBOR for the remaining term of the Revised Loan.

5. Within five business days of each draw-down of $1,000,000 of the Standby Loan Facility, Red Back will issue 345,000 Warrants to Macquarie.

6. All other terms of the Corporate Loan Facility, Standby Loan Facility and Gold Hedging Facility are as disclosed in the Original Decision.

7. Red Back's board of directors and management are satisfied that the terms of the Revised Loan are reasonable commercial terms that are not less advantageous to Red Back than if the Revised Loan were obtained from a person or company dealing at arm's length with Red Back. Red Back has held previous arm's length negotiations with other potential lenders within the last 12 months and has, in the opinion of Red Back's board of directors and management, accepted the Revised Loan on terms more favourable than the loan terms offered by other banks.

8. Red Back engaged an independent financial advisor who invited offers to provide debt financing for the construction and development of the Chirano Gold Project. Several offers were received and a total of nine potential lenders were put on a short list. Negotiations proceeded with those bidders and term sheets were presented by Macquarie and five other bidders. Red Back concluded, based in part on the advice of its financial advisor, that the terms of the Revised Loan were the most advantageous to Red Back.

9. Neither Macquarie, nor any of its affiliates, is represented on the board of directors of Red Back. The decision to accept the terms of the Revised Loan was made by a board consisting entirely of directors independent of Macquarie in consultation with Red Back's management and independent financial advisor.

10. The maximum number of Warrants that can be issued to Macquarie under the Revised Loan is 4,450,000 (including the Warrants issued prior to the first draw-down of the Corporate Loan Facility) representing less than 7% of the current issued and outstanding Red Back Shares (or 5% on a fully diluted basis). The maximum number of Warrants issuable under the Original Loan was 7,600,667 representing approximately 11% of the current and issued outstanding Red Back Shares (or 9% on a fully diluted basis).

11. The Warrants will be exercisable at a premium over the current trading price of the Red Back Shares. The Warrants will represent 5% of the number of Red Back Shares currently outstanding on a fully diluted basis. Red Back believes the issuance of the Warrants, and any subsequent exercise of these Warrants, will have an insignificant impact on the capitalisation of Red Back and the holdings of Red Back's shareholders.

12. The Minority Approval Requirement would impose significant additional delays that would adversely affect the financial position of Red Back. Red Back is party to certain construction contracts entered into in the ordinary course of business that impose penalties for delays. The requirement to obtain minority approval may cause significant penalties to be imposed. In the opinion of the board of directors and management of Red Back, these penalties would render its Chirano Gold Project economically unfeasible, resulting in serious financial distress for Red Back.

13. Macquarie is a related party of Red Back by virtue of Macquarie's ownership of 14.0% of the

outstanding Red Back Shares on a fully diluted basis. The Revised Loan is therefore a related party transaction under Rule 61-501. Red Back would therefore be required, absent an exemption or discretionary relief, to comply with the Minority Approval Requirement. A formal valuation is not required as the Revised Loan falls under the provisions of subsection 6.3(2) of Rule 61-501. The non-cash consideration consists of securities of Red Back, and there is no material information regarding Red Back, the Warrants, or any other securities of Red Back that has not been generally disclosed.

14. The number of Red Back Shares to be issued upon the exercise of Warrants in connection with the Revised Loan represents less than 25% of the currently outstanding Red Back Shares, assuming the exercise of all the Warrants.

AND WHEREAS the Director is 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 Original Decision be varied such that Red Back is exempt from the Minority Approval Requirement in connection with the Revised Loan, provided that Red Back complies with the other applicable provisions of Rule 61-501.

October 6, 2004.

"Ralph Shay"

2.2.2 Robert Louis Rizzuto - ss. 127(1) and 127.1

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

AND

IN THE MATTER OF
ALLAN EIZENGA, RICHARD JULES FANGEAT,
MICHAEL HERSEY, LUKE JOHN MCGEE AND
ROBERT LOUIS RIZZUTO

ORDER
(Subsection 127(1) and section 127.1)

WHEREAS on September 24, 1998, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") respecting Robert Louis Rizzuto ("Rizzuto") and others and issued Amended Notices of Hearing against Rizzuto and others on February 7, 2003 and May 21, 2004;

AND WHEREAS on September 24, 1998, the Commission made a Temporary Order as against Rizzuto and others, such Temporary Order that was extended by Commission Orders dated October 9, 1998 and February 5, 1999 (the "Temporary Order");

AND WHEREAS Rizzuto and Staff of the Commission entered into a Settlement Agreement executed on June 30, 2004 and July 6, 2004 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceedings, subject to the approval of the Commission;

AND WHEREAS the attached Settlement Agreement includes the term that Rizzuto will make a voluntary payment of $9,000.00 to the Commission for allocation to, or for the benefit of, third parties as may be approved by the Minister under s. 3.4(2)(b) of the Act;

AND UPON reviewing the Settlement Agreement and the Amended Statement of Allegations of Staff of the Commission and upon hearing submissions from counsel for Rizzuto and from Staff of the Commission, the Commission is of the opinion that it is in the public interest to make the following Order pursuant to subsection 127(1) and section 127.1 of the Act;

IT IS ORDERED THAT:

1. The attached Settlement Agreement is approved;

2. Pursuant to s. 3.4(2)(b) of the Act, the $9,000.00 voluntary payment to the Commission is allocated to, or for the benefit of, third parties as may be approved by the Minister;

3. Pursuant to subsection 127(1), paragraph 1, Rizzuto's registration with the Commission is

suspended for six months commencing on July 7, 2004;

4. Pursuant to subsection 127(1), paragraph 2, trading in any securities by Rizzuto cease for six months commencing on July 7, 2004;

5. Pursuant to subsection 127(1), paragraph 1, Rizzuto must successfully complete the Canadian Securities Course in order for his registration to be reinstated following the suspension;

6. Pursuant to subsection 127(1), paragraph 6, Rizzuto is reprimanded;

7. The Temporary Order as against Rizzuto no longer has any force or effect; and

8. Pursuant to section 127.1, Rizzuto pay to the Commission costs in the amount of $8,000.00.

August 17, 2004.

"H. Lorne Morphy" "Robert W. Davis"

SCHEDULE "A"

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

AND

IN THE MATTER OF
ALLAN EIZENGA, RICHARD JULES FANGEAT, MICHAEL HERSEY, LUKE JOHN MCGEE AND ROBERT LOUIS RIZZUTO

ORDER
(Subsection 127(1) and section 127.1)

WHEREAS on September 24, 1998, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") respecting Robert Louis Rizzuto ("Rizzuto") and others and issued Amended Notices of Hearing against Rizzuto and others on February 7, 2003 and May 21, 2004;

AND WHEREAS on September 24, 1998, the Commission made a Temporary Order as against Rizzuto and others, such Temporary Order that was extended by Commission Orders dated October 9, 1998 and February 5, 1999 (the "Temporary Order");

AND WHEREAS Rizzuto and Staff of the Commission entered into a Settlement Agreement executed on June 30, 2004 and July 6, 2004 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceedings, subject to the approval of the Commission;

AND WHEREAS the attached Settlement Agreement includes the term that Rizzuto will make a voluntary payment of $9,000.00 to the Commission for allocation to, or for the benefit of, third parties as may be approved by the Minister under s. 3.4(2)(b) of the Act;

AND UPON reviewing the Settlement Agreement and the Amended Statement of Allegations of Staff of the Commission and upon hearing submissions from counsel for Rizzuto and from Staff of the Commission, the Commission is of the opinion that it is in the public interest to make the following Order pursuant to subsection 127(1) and section 127.1 of the Act;

IT IS ORDERED THAT:

1. The attached Settlement Agreement is approved.

2. Pursuant to s. 3.4(2)(b) of the Act, the $9,000.00 voluntary payment to the Commission is allocated to, or for the benefit of, third parties as may be approved by the Minister.

3. Pursuant to subsection 127(1), paragraph 1, Rizzuto's registration with the Commission is

suspended for six months commencing on July 7, 2004;

4. Pursuant to subsection 127(1), paragraph 2, trading in any securities by Rizzuto cease for six months commencing on July 7, 2004;

5. Pursuant to subsection 127(1), paragraph 1, Rizzuto must successfully complete the Canadian Securities Course in order for his registration to be reinstated following the suspension;

6. Pursuant to subsection 127(1), paragraph 6, Rizzuto is reprimanded;

7. The Temporary Order as against Rizzuto no longer has any force or effect; and

8. Pursuant to section 127.1, Rizzuto pay to the Commission costs in the amount of $8,000.00.

DATED at Toronto this day of , 2004

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

AND

IN THE MATTER OF
ALLAN EIZENGA, RICHARD JULES FANGEAT, MICHAEL HERSEY, LUKE JOHN MCGEE AND ROBERT LOUIS RIZZUTO

SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND ROBERT LOUIS RIZZUTO

I. INTRODUCTION

1. By Notice of Hearing dated September 24, 1998, amended February 7, 2003 and May 21, 2004 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider, among other things:

   (a) whether, pursuant to subsection 127(1) and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"), it is in the public interest for the Commission to make an order:

      (i) that the registration of Robert Louis Rizzuto ("Rizzuto") be terminated or suspended or restricted for such period as specified by the Commission or that terms and conditions be imposed on his registration;

      (ii) that trading in any securities by Rizzuto cease permanently or for such period as is specified by the Commission;

      (iii) that any exemptions contained in Ontario securities law do not apply to Rizzuto permanently or for such period as is specified by the Commission;

      (iv) prohibiting Rizzuto from becoming or acting as a director or officer of any issuer permanently or for such period as specified by the Commission;

      (v) reprimanding Rizzuto; and

      (vi) requiring Rizzuto to pay the costs of the Commission's investigation and the hearing and/or any such other orders as the Commission deems appropriate.

2. By Temporary Order dated September 24, 1998, the Commission ordered that trading in securities by Rizzuto cease immediately except for trades in mutual fund securities and trades for his personal account (the "Temporary Order"). The Temporary Order was extended by Commission Orders dated October 9, 1998 and February 4, 1999.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("Staff") agrees to recommend settlement of the proceeding respecting Rizzuto initiated by the Notice of Hearing in accordance with the terms and conditions set out below. Rizzuto consents to the making of an order against him in the form attached as Schedule "A" based on the facts set out in Part III of this Settlement Agreement.

III. STATEMENT OF FACTS

Acknowledgement

4. Solely for the purposes of this proceeding, and of any other proceeding commenced by a securities regulatory agency, Staff and Rizzuto agree with the facts set out in paragraphs 5 through 23 of this Settlement Agreement.

The Saxton Securities

5. Saxton Investments Ltd. ("Saxton") was incorporated on January 13, 1995. Allan Eizenga ("Eizenga") was an officer and director of Saxton. Saxton and Eizenga established numerous offering corporations, as listed below (the "Offering Corporations"). Eizenga was the president and a director of each of these companies.

The Saxton Trading Corp.
The Saxton Export Corp.
The Saxton Export (II) Corp.
The Saxton Export (III) Corp.
The Saxton Export (IV) Corp.
The Saxton Export (V) Corp.
The Saxton Export (VI) Corp.
The Saxton Export (VII) Corp.
The Saxton Export (VIII) Corp.
The Saxton Export (IX) Corp.
The Saxton Export (X) Corp.
The Saxton Export (XI) Corp.
The Saxton Export (XII) Corp.
The Saxton Export (XIII) Corp.
The Saxton Export (XIV) Corp.
The Saxton Export (XV) Corp.
The Saxton Export (XVI) Corp.
The Saxton Export (XVII) Corp.
The Saxton Export (XVIII) Corp.
The Saxton Export (XIX) Corp.
The Saxton Export (XX) Corp.
The Saxton Export (XXI) Corp.
The Saxton Export (XXII) Corp.
The Saxton Export (XXIII) Corp.
The Saxton Export (XXIV) Corp.
The Saxton Export (XXV) Corp.
The Saxton Export (XXVI) Corp.
The Saxton Export (XXVII) Corp.
The Saxton Export (XXVIII) Corp.
The Saxton Export (XXIX) Corp.
The Saxton Export (XXX) Corp.
The Saxton Export (XXXI) Corp.
The Saxton Export (XXXII) Corp.
The Saxton Export (XXXIII) Corp.
The Saxton Export (XXXIV) Corp.
The Saxton Export (XXXV) Corp.
The Saxton Export (XXXVI) Corp.
The Saxton Export (XXXVII) Corp.
The Saxton Export (XXVIII) Corp.

6. Saxton and the Offering Corporations represented to the public that they were investing principally in businesses relating to the development and manufacture of beverage and food products for the hospitality and tourist industries in Cuba and elsewhere in the Caribbean.

7. The primary function of every Offering Corporation was to raise investment capital for the businesses in Cuba and elsewhere by the sale of shares (the "Saxton Securities"). Investors associated their investments with "Saxton", not the Offering Corporations.

8. The Offering Corporations prepared Offering Memoranda. These Memoranda were virtually identical and provided little information about the Cuban and other operations (into which funds invested in the Offering Corporations would flow) other than their geographic locations. The Offering Memoranda described the Saxton Securities as "speculative" and stated that there was no market for the shares.

9. Although, in fact, investors purchased shares, the Saxton Securities were marketed and sold as a "GIC", a "Fixed Dividend Account" product and an "Equity Dividend Account" product. Such Securities were sold as RRSP-eligible.

10. The Fixed Dividend Account product promised investors either a 10.25% annual return for a three year term compounded or a 12% annual return for a five year term compounded. Investors in the Equity Dividend Account product were told to expect 25% to 30% annual growth in their investment.

11. On or about October 7, 1998, the Court appointed KPMG Inc. ("KPMG") as the custodian of Saxton's assets. In early 1999, KPMG reported that the Offering Corporations had raised approximately $37 million from investors. All funds invested in the Offering Corporations had been transferred to Saxton. At that time, KPMG held the view that the value of the Saxton assets, at its highest (as reported by a related company, Sussex Group

Ltd. ("Sussex")) was approximately $5.5 million. Sussex currently is being wound down by a court-appointed manager.

Rizzuto's Conduct

12. During the material time, Rizzuto was registered with the Commission under the Act to sell mutual fund securities and limited market products. Rizzuto was first registered with the Commission in September 1992.

13. Between April 1997 and April 1998, Rizzuto sold the Saxton Securities to seven Ontario investors for a total amount sold of approximately $750,000. Two of the seven investors were business associates of Rizzuto. One of such associates was registered with the Commission. Another investor purchased approximately $500,000 worth of the Saxton Securities.

14. The Offering Corporations were incorporated pursuant to the laws of Ontario. Rizzuto's sales of the Saxton Securities constituted trades in securities of an issuer that had not been previously issued.

15. The distributions of the Saxton Securities contravened Ontario securities law. None of the Offering Corporations filed a preliminary prospectus or prospectus with the Commission. None of the Offering Corporations filed an Offering Memorandum or a Form 20 with the Commission. By selling the Saxton Securities to his clients, Rizzuto traded in securities, which trades were distributions, without a prospectus being filed or receipted by the Commission and with no exemption from the prospectus requirements of Ontario securities law being available.

16. Rizzuto failed to provide his clients with access to substantially the same information concerning the Saxton Securities that a prospectus filed under the Act would provide. Among other things, none of Rizzuto's clients received an Offering Memorandum prior to purchasing the Saxton Securities.

17. Rizzuto told certain clients that he had investigated Saxton and that it looked like a good investment that offered a high return. He also told clients that they could redeem their investment at any time. Rizzuto told clients that he had invested his personal funds in the venture.

18. Rizzuto failed to assess adequately the suitability of his clients' purchases of the Saxton Securities.

19. Rizzuto received commissions of approximately $24,000 on the sales described in paragraph 13 above.

20. In addition, Rizzuto received a further commission of $20,000, relating to a client's investment in Sussex International Limited ("Sussex International"). Sussex International raised funds to finance the same Cuban businesses supported by sales of the Saxton Securities. The distribution of the Sussex International securities also contravened Ontario securities law.

21. Rizzuto failed to inform his sponsoring firm that he was selling the Saxton Securities or the Sussex International securities, or that he received the commissions referred to in paragraphs 19 and 20 above.

22. Rizzuto co-operated with the Commission's investigation respecting the Saxton matter.

23. Rizzuto's conduct was contrary to Ontario securities law and the public interest.

IV. RIZZUTO'S POSITION

24. Rizzuto takes the position and informs Staff that:

(i) His client that was a large investor in the Saxton Securities (referenced in paragraph 13) requested an off-shore investment and spoke extensively with Eizenga prior to purchasing the Securities; and

(ii) He invested approximately $55,000 of his own funds in the Saxton Securities, of which he lost his entire investment.

V. TERMS OF SETTLEMENT

25. Rizzuto agrees to the following terms of settlement:

(a) The making of an Order:

(i) approving this settlement;

(ii) suspending Rizzuto's registration with the Commission for six months;

(iii) that trading in any securities by Rizzuto cease for six months;

(iv) that, prior to his registration being reinstated after the suspension referred to in paragraph 25(a)(ii), Rizzuto must write and pass the Canadian Securities Course as a term and condition of his registration;

(v) reprimanding Rizzuto;

(vi) that the Temporary Order no longer has any force or effect; and

(vii) that Rizzuto will pay costs to the Commission in the amount of $8,000.00; and

(b) Rizzuto will make a voluntary payment to the Commission in the amount of $9,000.00, such payment to be allocated to or for the benefit of third parties as may be approved by the Minister under subsection 3.4(2) of the Act. Rizzuto agrees that he is responsible personally for the $9,000.00 voluntary payment.

VI. STAFF COMMITMENT

26. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Rizzuto in relation to the facts set out in Part III of this Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

27. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for July 7, 2004 or such other date as may be agreed to by Staff and Rizzuto (the "Settlement Hearing"). Rizzuto will attend in person at the Settlement Hearing.

28. Counsel for Staff or Rizzuto may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Rizzuto agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

29. If this settlement is approved by the Commission, Rizzuto agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

30. Staff and Rizzuto agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

31. If for any reason whatsoever this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission:

(a) the Settlement Agreement and its terms, including all discussions and negotiations between Staff and Rizzuto and his counsel leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Rizzuto;

(b) Staff and Rizzuto shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Agreement or the settlement discussions/negotiations;

(c) The terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and Rizzuto or as may be required by law; and

(d) Rizzuto agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias or appearance of any bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF SETTLEMENT AGREEMENT

32. Except as permitted under paragraph 28 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Rizzuto until approved by the Commission, and forever, if for any reason whatsoever this settlement is not approved by the Commission, expect with the consent of Staff and Rizzuto, or as may be required by law.

33. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. EXECUTION OF SETTLEMENT AGREEMENT

34. This Settlement Agreement may be signed in one or more counterparts that together shall constitute a binding agreement.

35. A facsimile copy of any signature shall be as effective as an original signature.

June 30, 2004.

"Robert Louis Rizzuto"
Robert Louis Rizzuto

July 6, 2004.

Staff of the Ontario Securities Commission
"Michael Watson"
Director, Enforcement Branch

2.2.3 Ondine Biopharma Corporation - ss. 83.1(1)

Headnote

Subsection 83.1(1) – reporting issuer in Alberta and British Columbia that is listed on TSX Venture deemed to be a reporting issuer in Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am. ss. 83(1).

Policies Cited

Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario (2001) 24 OSCB 1531.

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

AND

IN THE MATTER OF
ONDINE BIOPHARMA CORPORATION

ORDER
(Subsection 83.1(1))

UPON the application of Ondine Biopharma Corporation (the **Company**) for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purposes of Ontario securities law;

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

AND UPON the Company representing to the Commission as follows:

1. The Company was incorporated pursuant to the laws of British Columbia on September 9, 1996.

2. The head office of the Company is located at 250 – 1075 West Georgia Street, Vancouver, BC, V6C 3C9.

3. The authorized capital of the Company consists of 100,000,000 common shares without par value. As at September 7, 2004, 34,494,344 common shares had been issued and 11,825,814 common shares had been reserved for outstanding stock options, share purchase warrants and agent's options.

4. The Company has been a reporting issuer under the Securities Act (British Columbia) (the **B.C. Act**) since April 1998 and the Securities Act (Alberta) (the **Alberta Act**) since November 1999.

5. The Company is not in default of any requirements of the B.C. Act or the Alberta Act.

6. The common shares of the Company are listed on the TSX Venture Exchange and the Company is in compliance with all requirements of the TSX Venture Exchange. Additionally, the common shares are listed on the Alternative Investment Market of the London Stock Exchange and to the best of the Company's knowledge the Company is not in default of the Alternative Investment Market rules or the applicable securities legislation in the United Kingdom.

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

8. The Company has a significant connection to Ontario for the reason that significantly greater than 20% of the beneficial and registered shareholders of the Company had, as at August 14, 2004, residence in Ontario.

9. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.

10. The continuous disclosure materials filed by the Company under the B.C. Act and under the Alberta Act since April 2, 1998 are available on the System for Electronic Document Analysis and Retrieval (SEDAR).

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

12. Neither the Company nor, to the knowledge of the Company, its officers and directors, or any of its controlling shareholders, has:

    (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority,

    (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or

    (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13. Neither the Company nor, to the knowledge of the Company, its officers and directors, or any of its controlling shareholders, is or has been subject to:

    (i) any known ongoing or concluded investigations by:

        (a) a Canadian securities regulatory authority, or

        (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or

    (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

14. Mr. Douglass Watson a director and the President and Chief Executive Officer of the Company, was a director and the President and Chief Executive Officer of GenSci Regeneration Services, a California based former TSX listed issuer, at the time of its filing a voluntary petition for bankruptcy on December 20, 2001. Mr. Watson remained a director and the President and Chief Executive Officer of GenSci until December 2003 after GenSci exited bankruptcy protection on October 17, 2003.

15. Except as disclosed in 14. above, to the knowledge of the Company, none of its officers and directors, or any of its controlling shareholders, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to:

    (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or

    (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

16. The Company shall remit all participation fees due and payable by it pursuant to Ontario Securities Commission Rule 13-502 *Fees* by no later than two (2) business days from the date hereof.

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

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

October 19, 2004.

"Charlie MacCready"

2.3 Rulings

2.3.1 Red Back Mining Inc. - s. 9.1 of OSC Rule 61-501

Headnote

Rule 61-501 - related party transactions - exemption from minority approval requirement in connection with proposed loan to be made to issuer by a related party - minority approval required because warrants to be provided to the related party in connection with the loan - issuer listed on TSX Venture Exchange - related party involved in the transaction owns less than 20% of the issuer's outstanding shares, is a passive investor in the issuer and has no representation on the issuer's board of directors - loan is on commercial terms and was negotiated by an independent board after reviewing a wide range of proposals and receiving independent financial advice - shares to be issued on exercise of the warrants will be under 25% of issuer's market capitalization – exemption granted.

Rules Cited

Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 5.6 and 9.1.

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION
RULE 61-501 ("Rule 61-501")

AND

IN THE MATTER OF
RED BACK MINING INC.

RULING
(Section 9.1 of Rule 61-501)

UPON the application (the "Application") of Red Back Mining Inc. ("Red Back") to the Director for a decision pursuant to section 9.1 of Rule 61-501 that, in connection with the creation of certain credit facilities (including the issuance of warrants of Red Back) (the "Loan") obtained by Red Back with Macquarie Bank Limited ("Macquarie"), Red Back be exempt from section 5.6 of Rule 61-501 (the "Minority Approval Requirement");

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

AND UPON Red Back having represented to the Director as follows:

1. Red Back is a corporation continued under the *Canada Business Corporations Act* and is a reporting issuer or the equivalent in Ontario, Alberta and British Columbia. As of August 4, 2004, Red Back was not in default of any requirement of the securities legislation of Ontario, Alberta or British Columbia. The registered head office of Red Back is located in Vancouver, British Columbia.

2. Red Back is a mineral resource corporation engaged in exploring, acquiring and developing mineral properties. Red Back's properties are in the exploration and development phase and it does not have any properties in commercial production. Red Back has received a bankable feasibility study prepared in respect of its Chirano Gold Project (the "Chirano Project") in Ghana. Red Back intends to commence construction and development of the Chirano Project as soon as the funds to be disbursed under the Loan are available.

3. Red Back is authorized to issue an unlimited number of common shares (the "Red Back Shares"). As of August 4, 2004, the issued and outstanding share capital of Red Back consists of 62,438,058 Red Back Shares (or 80,407,889 Red Back Shares on a fully diluted basis). The Red Back Shares are listed on the TSX Venture Exchange.

4. Macquarie is an Australian-based provider of investment banking and financial services internationally.

5. Macquarie, and affiliates thereof, and the associates of each of them, own or control, as of August 4, 2004, in aggregate, approximately 18.0% of the Red Back Shares, or approximately 14.0% of the Red Back Shares on a fully diluted basis.

6. Macquarie does not have any representation on the board of directors of Red Back.

7. The Loan is on commercial terms and consists of a Corporate Loan Facility, a Standby Loan Facility, and a Gold Hedging Facility.

8. The Corporate Loan Facility is anticipated to be in the amount of USD$30,000,000. The interest rate will be 2.5% per annum above the USD LIBOR rate. There will also be an Undrawn Line Fee of 0.35% per annum and a Commitment Fee of 1.00% on the total Corporate Loan Facility amount. Repayment of the Corporate Loan Facility will be pursuant to a commercially standard repayment schedule.

9. The Standby Loan Facility is anticipated to be in the amount of USD$13,000,000. The interest rate will be 2.5% per annum above the USD LIBOR rate. There will also be an Undrawn Line Fee of 0.35% per annum and a Commitment Fee of 2.00% on the total Standby Loan Facility amount. Within five business days of each draw-down of the Standby Loan Facility, Red Back will issue warrants exercisable for Red Back Shares at a price of CDN$2.25 per share to Macquarie (the

"Warrants"). The number of Warrants received will be based on a formula whereby the draw-down amount is converted from US to Canadian dollars and then divided by the exercise price of CDN$2.25. At the current exchange rate, the total number of Warrants issuable will be a maximum of 7,600,667 which, if exercised, represents less than 11.0% of the issued and outstanding Red Back Shares (or 9.0% on a fully diluted basis). The Warrants will expire within three years of the date of issue. The first draw-down date shall be no later than June 30, 2005 (unless otherwise agreed to by Macquarie), with a final repayment date of June 30, 2009. Repayment of the Standby Loan Facility will be pursuant to a commercially standard repayment schedule. If the Standby Loan Facility is not drawn down or is cancelled by Red Back by June 30, 2005, a number of Warrants will be issued to Macquarie within five business days. The number of Warrants issued will be calculated based on a formula whereby one tenth of the total Standby Loan Facility is multiplied by the US/Canadian exchange rate and divided by the exercise price of $2.25. After such issuance, Red Back will no longer be obligated to issue any additional Warrants to Macquarie under the terms of the Standby Loan Facility.

10. The Gold Hedging Facility will consist of USD denominated gold puts and calls based on recoverable gold production from the Chirano Project. A hedging margin of 1.10% will apply to standard flat forward gold hedging structures during the term of the facility. This facility will have no margin calls and will expire December 31, 2010.

11. The Loan will be secured against all the present and after acquired property of Red Back and will be on terms that are standard for transactions of this type in the industry.

12. Red Back's board of directors and management are satisfied that the terms of the Loan are reasonable commercial terms that are not less advantageous to Red Back than if the Loan was obtained from a person or company dealing at arm's length with Red Back. Red Back has held previous arm's length negotiations with other potential lenders within the last 12 months and has, in the opinion of Red Back's board of directors and management, accepted the Loan on terms more favourable than the financing terms offered by other potential lenders.

13. Red Back engaged an independent financial advisor who invited offers to provide debt financing for the construction and development of the Chirano Project. Red Back received several financing offers and a total of nine potential lenders were put on a short list. Negotiations proceeded with those bidders and term sheets were presented by Macquarie and five other bidders. Red Back concluded, based in part on the advice of its financial advisor, that the terms of the Loan, as negotiated with Macquarie, were the most advantageous to Red Back.

14. As neither Macquarie, nor any of its affiliates, is represented on the board of directors of Red Back, the decision to accept the terms of the Loan was made by a board consisting entirely of directors independent of Macquarie in consultation with Red Back's management and independent financial advisor.

15. The terms of the Loan require Red Back to first exhaust the Corporate Loan Facility prior to drawing on the Standby Loan Facility. Red Back believes this is unusual in the current market and is advantageous to it. The Warrants will be exercisable at a premium over the current trading price of Red Back Shares. The Warrants, if exercised based upon prevailing exchange rates, will represent less than 9.0% of the currently outstanding Red Back Shares on a fully diluted basis. Red Back believes the issuance of the Warrants, and any subsequent exercise of these Warrants, will have an insignificant impact on the capitalisation of Red Back and the holdings of Red Back's shareholders.

16. As Macquarie owns more than 10% of the Red Black Shares, it is a related party of Red Back. The Loan is therefore a related party transaction under Rule 61-501. Red Back would therefore be required, absent an exemption or discretionary relief, to comply with the Minority Approval Requirement.

17. The application of the Minority Approval Requirement will impose significant additional delays that will adversely affect the financial position of Red Back. Red Back is party to certain construction contracts that it has entered into in the ordinary course of business and that impose penalties for delays. Therefore, the delay caused by the requirement to obtain minority approval of Red Back shareholders may result in the imposition of significant penalties against Red Back. In the opinion of the board of directors and management of Red Back, these penalties would render its Chirano Project economically unfeasible and result in serious financial distress for Red Back.

18. Pursuant to subsection 6.3(2) of Rule 61-501, Red Black is exempt from the requirement to provide a formal valuation as the non-cash consideration consists of securities of Red Back and there is no material information regarding Red Back, the Warrants, or any other securities of Red Back that has not been generally disclosed.

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

IT IS DECIDED pursuant to section 9.1 of Rule 61-501 that, in connection with the Loan, Red Back shall not be subject to the Minority Approval Requirement, provided that Red Back complies with the other applicable provisions of Rule 61-501.

August 12, 2004.

"John Hughes"

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
Consolidated Care Point Medical Centres Ltd.	18 Oct 04	29 Oct 04		
Healthtrac, Inc.	18 Oct 04	29 Oct 04		
iLoveTV Entertainment Inc.	04 Oct 04	15 Oct 04	15 Oct 04	
Snow Leopard Resources Inc.	19 Oct 04	29 Oct 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		

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Chapter 5

Rules and Policies

5.1.1 Notice of Amendments to National Instrument 44-101 Short Form Prospectus Distributions

NOTICE OF AMENDMENTS TO

NATIONAL INSTRUMENT 44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS

October 22, 2004

Introduction

On January 30, 2004 we (the members of the Canadian Securities Administrators (CSA)) published for comment proposed amendments (the Proposed Amendments) to National Instrument 44-101 *Short Form Prospectus Distributions* (the Instrument), Form 44-101F3 *Short Form Prospectus* (the Form), and Companion Policy 44-101CP (the Companion Policy). The purpose of the Proposed Amendments was to make the financial statement requirements of the Instrument consistent with the financial statement requirements in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107).

The amendments (the Final Amendments) to the Instrument, Form and Companion Policy have now been finalized and will be implemented or, subject to ministerial approval in certain jurisdictions are expected to be implemented, by each member of the CSA, as

- a rule in each of Alberta, British Columbia, Manitoba, Ontario and Nova Scotia;
- a regulation in Québec and Saskatchewan; and
- a policy in all other jurisdictions represented by the CSA.

In Ontario, the Final Amendments and other required materials were delivered to the Minister of Finance on October 20, 2004. The Minister may approve or reject the Final Amendments or return them for further consideration. If the Minster approves them or does not take any further action the Final Amendments will come into force on January 4, 2005.

In Québec, the Final Amendments are a regulation made under section 331.1 of *The Securities Act* (Québec) and must be approved, with or without amendment, by the Minister of Finance. The Final Amendments will come into force on the date of their publication in the *Gazette officielle du Québec* or on any later date specified in the regulation. It must also be published in the Bulletin.

Provided all necessary ministerial approvals are obtained, the Final Amendments will come into force on January 4, 2005.

Text of the Final Amendments

The text of the Final Amendments accompany this notice.

Substance, Purpose and Background

The Instrument requires all financial statements to be prepared using Canadian generally accepted accounting principles and audited using Canadian generally accepted auditing standards. However, NI 52-107, which came into force on March 30, 2004, permits financial statements to be prepared using foreign generally accepted accounting principles and audited using foreign generally accepted auditing standards in certain circumstances. As a result of the implementation of NI 52-107, we proposed amending the Instrument, Form and Companion Policy so that these documents would be consistent with NI 52-107.

Summary of Written Comments Received by the CSA

On January 30, 2004 we published the Proposed Amendments for public comment. The comment period expired on April 29, 2004. We received one submission from the following commenter:

Osler, Hoskin & Harcourt
Barristers & Solicitors
Box 50, 1 First Canadian Place
Toronto, Ontario
Canada M5X 1B8
T: 416-362-2111
F: 416-862-6666

The appendix to this notice provides a summary of the comments in the submission, together with our responses. We found the comments useful and thank the commenter for taking the time to make a submission.

We revised the Proposed Amendments in response to the comments, but because those revisions have not materially changed the Proposed Amendments, we did not republish the amendments for a second comment period.

Summary of Differences between the Final Amendments and the Proposed Amendments

There are no noteworthy changes between the Final Amendments and the Proposed Amendments. The differences between the Final Amendments and the Proposed Amendments are substantially described in our responses to the comments.

Questions

Please refer your questions to any of:

Michael Moretto
Associate Chief Accountant, Corporate Finance
British Columbia Securities Commission
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mmoretto@bcsc.bc.ca

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APPENDIX TO CSA NOTICE OF AMENDMENTS
OF NATIONAL INSTRUMENT 44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS
SUMMARY OF COMMENTS ON THE PROPOSED AMENDMENTS
AND CSA RESPONSES

The following summarizes the comments on the Proposed Amendments submitted by Osler Hoskin & Harcourt, and provides our response to those comments. We thank the commenter for making its submission.

The section references set out below are to the relevant sections in the amending instruments that accompany this notice.

Part I Comments on the Proposed Amendments to the Instrument and Form

Section 1.1(d)

The commenter suggested amending the definition of "US GAAS" to encompass the new Public Company Accounting Oversight Board (PCAOB), which has authority to set auditing standards and establish rules related to independence requirements for auditors.

Response: We have repealed the definition as it is no longer required because we have repealed paragraph 10.2(b), which was the only provision that used that term. However, we would not have altered the definition in any case . The definition of US GAAS in NI 52-107 would include both the auditing standards developed by the PCAOB and the auditing standards developed by the American Institute of Certified Public Accountants (AICPA) because both are generally accepted in the United States under different circumstances. Further, since PCAOB rules on independence require SEC approval, the current definition in NI 52-107 will encompass any independence rules developed by the PCAOB.

Section 1.2(c) and (d) and section 1.3(c)

The commenter suggested adding a reference to section 6.2(3) of NI 52-107 in these sections to provide relief from the requirement to provide an audit report with respect to the annual financial statements of an acquired business.

Response: We have not made the suggested change. Section 6.2(3) of NI 52-107 does not create a requirement to have an audit report. It specifies how the auditor's report must be prepared if the acquisition statements must be audited. The requirement to audit the financial statements remains in NI 44-101.

Section 1.3

In addition to the comment noted above the commenter suggested deleting the reference to "financial information" because there is no requirement to audit financial information.

Response: We agreed and have deleted the reference to financial information.

New section 1.4(d)

The commenter noted that the reference to "1(6)" in section 7.3(2)(a) of the Instrument should be corrected to read "1(5)" instead.

Response: We agreed and have made the suggested correction.

Section 2.1

The commentator noted that the reconciliation to Canadian GAAP in Item 20 of Form 44-101F3 may not always be required.

Response: We agreed and have clarified the wording.

Part II Comments on the Proposed Amendments to the Companion Policy

Section 1.1

The commenter suggested we add a sentence that would remind issuers that NI 52-107 requires all audited financial statements to be accompanied by an audit report.

Response: We agreed and have clarified the wording as suggested.

Section 1.2

The commenter suggested adding “or incorporated by reference” so that financial statements incorporated by reference into a short form prospectus would also be explicitly captured.

Response: We have clarified the wording to capture financial statements incorporated by reference.

5.1.2 National Instrument 44-101 Short Form Prospectus Distributions and Companion Policy 44-101CP

NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS

AMENDMENT INSTRUMENT

1. This Instrument amends National Instrument 44-101 *Short Form Prospectus Distributions*.

2. Section 1.1 is amended

   (a) by repealing the definitions of "auditor's report", "foreign auditor's report", "foreign GAAP", "foreign GAAS" and "U.S. GAAS";

   (b) by repealing the definition of "executive officer" and substituting the following:

   "executive officer" with respect to a person or company means an individual who is

   (a) a chair of the person or company,

   (b) a vice-chair of the person or company,

   (c) the president of the person or company,

   (d) a vice-president of the person or company in charge of a principal business unit, division or function including sales, finance or production,

   (e) an officer of the person or company or any of its subsidiaries, who performed a policy-making function in respect of the person or company, or

   (f) any other individual who performed a policy-making function in respect of the person or company;

   (c) by adding the following definitions:

   "issuer's GAAP" means the accounting principles used to prepare an issuer's financial statements, as permitted by NI 52-107;

   "NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

   "US GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support as supplemented by Regulation S-X and S-B under the 1934 Act.

3. Subsection 1.2(9) is repealed and the following substituted:

   1.2(9) Application of Significance Tests – Accounting Principles and Currency – For the purposes of the significance tests in subsections (2) and (3), financial statements of the business or related businesses must be reconciled to the accounting principles used to prepare the issuer's financial statements and translated into the same reporting currency as that used in the issuer's financial statements.

4. Section 4.12 is amended by striking out "shall be accompanied by an auditor's report without a reservation of opinion" and substituting "must be audited".

5. Section 4.13 is repealed and the following substituted:

   Despite section 4.12, interim financial statements of a business included in a short form prospectus under this Part do not have to be audited.

6. Section 4.14 is repealed and the following substituted:

   Despite section 4.12, an issuer may omit from its short form prospectus an audit report for the annual financial statements referred to in subsection 4.8(3) if the financial statements have not been audited.

7. Section 4.15 is amended

   (a) in paragraph (a) by striking out “auditor’s report” and substituting “audit report”, and

   (b) by repealing paragraph (b) and substituting “the financial statements have not been audited”.

8. Section 5.6 is amended by striking out “shall be accompanied by an auditor’s report without a reservation of opinion” and substituting “must be audited”.

9. Section 5.7 is repealed and the following substituted:

   Despite section 5.6, interim financial statements of a business included in a short form prospectus under this Part do not have to be audited.

10. Section 5.8 is repealed and the following substituted:

    Despite section 5.6, an issuer may omit from its short form prospectus an audit report for the annual financial statements referred to in subsection 5.3(2) if the financial statements have not been audited.

11. The title to Part 7 is repealed and the following substituted:

    Part 7 Audit Requirement for Financial Statements of an Issuer

12. Section 7.1 is repealed and the following substituted:

    7.1 Audit Requirement

    The financial statements of an issuer included in a short form prospectus must be audited.

13. Section 7.2 is repealed.

14. Section 7.3 is repealed and the following substituted:

    7.3 Exception to Audit Requirement — Despite section 7.1, the following financial statements do not have to be audited:

    1. Comparative interim financial statements required to be incorporated by reference under paragraph (1)3 of Item 12.1 or paragraph 2 of 12.2 of Form 44-101F3.

    2. The comparative annual financial statements of the issuer for the most recently completed financial year if

       (a) the financial statements are required to be incorporated by reference in a short form prospectus solely by reason of paragraph (1) 5 of Item 12.1 of Form 44-101F3;

       (b) the auditor of the issuer has not issued an audit report on the financial statements; and

       (c) comparative financial statements for the year preceding the most recently completed financial year are audited and are included in the short form prospectus.

    3. The comparative interim financial statements of a credit supporter required to be incorporated by reference under Item 13.2 of Form 44-101F3.

15. Sections 7.4 and 7.5 are repealed.

16. Paragraph 10.2(b) is amended

    (a) in item 6 by striking out “auditor’s report” and substituting “audit report”, and

    (b) by repealing item 7.

17. Form 44-101F3 *Short Form Prospectus* is amended

(a) in paragraphs (c) and (d) of paragraph 7.1(2) by striking out “in the Handbook” and substituting “in accordance with the issuer’s GAAP”;

(b) in paragraph 7.1(3) by striking out “under Canadian GAAP”;

(c) in Instruction (2)(d) of Item 7 by striking out “generally accepted accounting principles” and substituting “the issuer’s GAAP”;

(d) in paragraph 12.1(3)

(i) by repealing paragraph (b) and substituting “is required by subsection 4.1(1) of NI 52-107 to provide a reconciliation to Canadian GAAP”;

(ii) by striking out “other than in accordance with Canadian GAAP” in paragraph (c) and “substituting in accordance with US GAAP”; and

(iii) by striking out “foreign GAAP” and substituting “US GAAP”; and

(e) by repealing Item 20 and substituting the following:

If the short form prospectus includes financial statements not prepared in accordance with Canadian GAAP and the short form prospectus does not include a reconciliation to Canadian GAAP, include any reconciliation to Canadian GAAP required under NI 52-107.

18. This Instrument comes into force on January 4, 2005.

NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS
COMPANION POLICY 44-101CP

AMENDMENTS TO COMPANION POLICY

1. Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions* is amended as follows.

2. Section 4.3 is repealed and the following substituted:

   4.3 Audit Report for All Financial Statements Included in the Short Form Prospectus – The National Instrument requires that all financial statements included in a short form prospectus must be audited, except financial statements specifically exempted in the National Instrument. NI 52-107 further requires that all audited financial statements be accompanied by an audit report. Issuers are reminded that the audit report requirement extends to financial statements of subsidiaries and other entities even if the financial statements are not required to be included in the short form prospectus but have been included at the discretion of the issuer.

3. Section 4.4 is amended by striking out “auditor’s report” and substituting “audit report” wherever it occurs.

4. Subsection 4.6(3) is amended by striking out “auditor’s report ” and substituting “audit report” wherever it occurs.

5. Section 5.8 is amended by

   (a) striking out “foreign GAAP” and substituting “GAAP that is not the issuer’s GAAP” wherever it occurs; and

   (b) striking out “Canadian GAAP” and substituting “the issuer’s GAAP”.

6. Subsections 5.20(3) and (4) are amended by striking out “auditor’s report ” and substituting “audit report” wherever it occurs.

7. Section 6.1 is repealed and the following substituted:

   6.1 GAAP and GAAS – The financial statements of a person or company that are included or incorporated by reference in a short form prospectus must be prepared in accordance with NI 52-107.

8. Section 6.2 is repealed.

9. These amendments come into force on January 4, 2005.

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
30-Sep-2004	The Toronto-Dominion Bank Royal Bank of Canada	6274412 Canada Limited - Debentures	255,000.00	0.00
29-Sep-2004	8 Purchasers	Aavdex Corporation - Units	135,000.00	14.00
01-Oct-2004	4 Purchasers	ABC American -Value Fund - Units	600,000.00	67,595.00
01-Oct-2004	5 Purchasers	ABC Fully-Managed Fund - Units	804,277.52	79,331.00
01-Oct-2004	11 Purchasers	ABC Fundamental - Value Fund - Units	2,195,123.80	114,512.00
04-Oct-2004	John Froese	Acuity Pooled Canadian Equity Fund - Trust Units	150,000.00	6,627.00
01-Oct-2004	Joan Marsh	Acuity Pooled Fixed Income Fund - Trust Units	201,000.00	14,337.00
24-Sep-2004	Laurel Potter Christopher Potter	Acuity Pooled Growth and Income Fund - Trust Units	107,000.00	10,259.00
29-Sep-2004 to 06-Oct-2004	James McCutcheon Tara Morse	Acuity Pooled Growth and Income Fund - Trust Units	313,000.00	29,838.00
21-Sep-2004 to 28-Sep-2004	18 Purchasers	Acuity Pooled High Income Fund - Trust Units	2,228,561.18	121,779.00
29-Sep-2004 to 04-Oct-2004	28 Purchasers	Acuity Pooled High Income Fund - Trust Units	3,495,959.44	188,767.00
21-Sep-2004 to 27-Sep-2004	9 Purchasers	Acuity Pooled Income Trust Fund - Trust Units	931,243.67	58,385.00
29-Sep-2004 to 06-Oct-2004	4 Purchasers	Acuity Pooled Income Trust Fund - Trust Units	350,000.00	21,212.00
16-Sep-2004	Sprott Asset Management Inc. Dynamic Canadian Precious Metals	Adamus Resources Limited - Shares	1,323,426.00	1,696,700.00
30-Sep-2004	4 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	755,442.93	973.00

20-Sep-2004	Octagon Capital Corp	Antrim Energy Inc. - Units	76,544.00	47,840.00
04-Oct-2004	21 Purchasers	Avery Resources Inc. - Units	423,775.00	770,500.00
06-Oct-2004	6 Purchasers	Balloch Resources Ltd. - Common Shares	306,250.00	1,225,000.00
30-Sep-2004	Bank Of Montreal	BMO Capital Trust - Special Trust Securities	161,500,000.00	161,500.00
01-Oct-2004	3 Purchasers	Canadian Golden Dragon Resources Ltd. - Common Shares	6,500.00	50,000.00
30-Sep-2004	Blayne Lastman Marvin Kirshenblatt	Cascadia Fine Art Limited Partnership - Units	300,000.00	300.00
29-Sep-2004	11 Purchasers	CES Software plc - Special Warrants	3,785,110.00	1,175,500.00
29-Sep-2004	9 Purchasers	CGO&V Balanced Fund - Units	837,778.78	67,548.00
29-Sep-2004	The Marla-Beth & Gregg Rosen Family Trust	CGO&V Cumberland Fund - Units	37,030.61	2,784.00
29-Sep-2004	6 Purchasers	CGO&V Enhanced Yield Fund - Units	234,177.55	23,944.00
29-Sep-2004	7 Purchasers	CGO&V Hazelton Fund - Units	1,366,669.65	106,728.00
14-Sep-2004	Excalibur Limited Partnership	Credit Suisse First Boston, New York Branch - Units	12,917,000.00	1.00
30-Sep-2004	49 Purchasers	DB Mortgage Investment Corporation #1 - Common Shares	1,862,000.00	1,862.00
29-Sep-2004	Lawrence Partners Fund;LP	Denison Mines Inc. - Common Shares	5,000,002.55	636,943.00
30-Sep-2004	20 Purchasers	Devlan Exploration Inc. - Common Shares	14,999,919.20	5,357,114.00
30-Sep-2004	8 Purchasers	Devlan Exploration Inc. - Flow-Through Shares	2,052,501.50	586,429.00
04-Oct-2004	National Bank Of Canada	Enterprise Products Operating L.P. - Notes	6,315,000.00	6,315,000.00
29-Sep-2004 to 08-Oct-2004	3 Purchasers	First Leaside Opportunities Limited Partnership - Limited Partnership Units	272,941.00	217,051.00
29-Sep-2004 to 08-Oct-2004	Douglas Hyatt	First Leaside Wealth Management Inc. - Preferred Shares	100,000.00	100,000.00
30-Sep-2004	Dynasty Palace Inc. and Tournament Software Inc.	Funtime Hospitality Corp. - Common Shares	249,377.00	1,246,885.00
30-Sep-2004	Dynasty Palace Inc. and Tournament Software Inc.	Funtime Hospitality Corp. - Warrants	0.00	367,500.00

05-Oct-2004	Ontario Power Generation Inc. (UFF)	GMO Emerging Countries Equity Fund - Units	1,387,650.00	75,332.00
29-Sep-2004	19 Purchasers	Great Canadian Gaming Corporation - Notes	98,650,000.00	98,650,000.00
24-May-2004	4 Purchasers	Hinterland Metals Inc. - Common Shares	0.00	120,000.00
09-Sep-2004	4030192 Canada Inc.	Homeland Security Technology Corporation - Convertible Preferred Stock	300,859.16	233,188.00
01-Oct-2004	9 Purchasers	Houston Lake Mining Inc. - Units	150,000.00	375,000.00
06-Oct-2004	Credit Trust II	HSBC Bank Canada - Notes	289,775,000.00	289,775,000.00
22-Sep-2004 to 01-Oct-2004	6 Purchasers	IMAGIN Diagnostic Centres, Inc. - Common Shares	58,000.00	58,000.00
01-Jul-2004	Northwater Market Neutral Trust	JME Offshore Opportunity Fund II, Ltd. - Common Shares	900,000.00	900.00
30-Sep-2004	12 Purchasers	K2 Energy Corp. - Common Shares	12,954.81	103,640.00
06-Oct-2004	Gerry and Estelle	KBSH Enhanced Income Fund - Units	61,650.00	5,897.00
06-Oct-2004	EGG Management Inc.	KBSH Enhanced Income Fund - Units	92,700.00	98,867.00
27-Sep-2004	Alla Levine	KBSH Private - Canadian Equity Fund - Units	100,000.00	6,718.00
06-Oct-2004	Gerry and Estelle Gotfrit	KBSH Private - Canadian Equity Fund - Units	61,650.00	3,985.00
06-Oct-2004	EGG Management Inc.	KBSH Private - Canadian Equity Fund - Units	92,700.00	5,993.00
30-Sep-2004	TerraNova Partners L.P.	Kensington Capital Partners Limited - Units	200,000.00	200.00
30-Sep-2004	TerraNova Partners L.P. 2050301 Ontario Limited	Kensington Capital Partners Limited - Units	180,000.00	180.00
01-Oct-2004	4 Purchasers	Magenta II Mortgage Investment Corporation - Shares	202,500.00	202,500.00
01-Oct-2004	10 Purchasers	Magna International Inc. - Notes	189,336,170.00	2,088,400.00
03-Sep-2004	Standard Radio Inc.	Maplecore Ltd. - Common Shares	360,000.00	1,800,000.00
03-Sep-2004	Universal Music Canada Inc.	Maplecore Ltd. - Common Shares	1,750,000.00	8,750,000.00
03-Sep-2004	Ideaca Limited	Maplecore Ltd. - Shares	270,000.00	1,350,000.00
03-Sep-2004	Standard Radio Inc.	Maplecore Ltd. - Warrants	1.00	450,000.00

08-Oct-2004	Newmont Canada Inc.	McDermott Mines Limited - Common Shares	1.00	468,256.00
01-Sep-2004	6216404 Canada Limited	Microbonds Inc. - Common Share Purchase Warrant	444,400.00	202,000.00
04-Oct-2004	River Gold Mines Ltd.	Moss Lake Gold Mines Ltd. - Flow-Through Shares	49,500.00	330,000.00
30-Sep-2004	MMV Financial Inc.	Nakina Systems Inc. - Shares	1.00	230,000.00
30-Sep-2004	MMV Financial Inc.	Nakina Systems Inc. - Shares	1.00	500,000.00
29-Sep-2004	Straight Line Financial Services Inc.	New Solutions Financial (II) Corporation - Debentures	35,000.00	35,000.00
28-Sep-2004	10 Purchasers	Noront Resources Ltd. - Units	508,000.00	3,386,667.00
01-Oct-2004	Alice Stern	O'Donnell Emerging Companies Fund - Units	20,000.00	3,209.00
28-Sep-2004	Cabo Frio Investments A.V.V. Robert A. Bondy	OntZinc Corporation - Units	65,000.00	1,300,000.00
16-Sep-2004 to 27-Sep-2004	6 Purchasers	Patrician Diamonds Inc. - Shares	540,000.00	4,500,000.00
06-Oct-2004	6 Purchasers	Patrician Diamonds Inc. - Units	324,000.00	2,160,000.00
06-Oct-2004	PCP Holdco Inc.	Paul Capital Partners VIII-C, L.P. - Units	1,905,980.17	0.00
30-Sep-2004	Penfund Mezzanine L. P. II	Pet Valu, Inc. - Units	15,000,000.00	924,200.00
30-Sep-2004 to 14-Oct-2004	4 Purchasers	Riddell Bell Holdings. Inc. - Notes	250,000.00	250,000.00
30-Sep-2004	Rodger Gray Steven Somodi	Sesame Networks Inc. - Shares	100,000.00	20,000.00
27-Sep-2004	3 Purchasers	Spider Resources Inc. - Units	75,000.00	625,000.00
01-Oct-2004	8 Purchasers	Stacey Investment Limited Partnership - Limited Partnership Units	1,755,158.52	59,156.00
30-Sep-2004	5 Purchasers	Stacey RSP Fund - Trust Units	368,954.40	37,632.00
30-Sep-2004	Dom Santaguida Andrea Mae Matthew	Strategic Technologies Inc. - Warrants	36,000.00	60,000.00
27-Sep-2004	Sprott Securities Inc. Fort House Inc.	Strathmore Minerals Corp. - Common Shares	2,105,714.00	3,000,000.00
30-Sep-2004	Business Development Bank of Canada	Third Brigade Inc. - Common Shares	500,000.00	698,789.00
29-Sep-2004	Chunkerhead Ltd G. Crozzoli	United Reef Limited - Units	30,000.00	300,000.00

07-Oct-2004	4 Purchasers	ValGold Resources Ltd. - Common Shares	124,200.00	345,000.00
27-Sep-2004	16 Purchasers	Vault Minerals Inc. - Units	285,000.00	2,850,000.00
31-May-2004	10 Purchasers	Vertex Fund - Units	437,140.52	73,259.00
30-Apr-2004	12 Purchasers	Vertex Fund - Units	569,973.04	84,363.00
31-Aug-2004	4 Purchasers	Vertex Fund - Units	365,000.00	55,351.00
29-Sep-2004	3 Purchasers	Viva Source Corp. - Special Warrants	40,000.00	100,000.00
24-Sep-2004	Global (GMPC) Holdings.	VoiceIQ Inc. - Common Shares	0.00	370,000.00
30-Sep-2004	7 Purchasers	Zenda Capital Corp. - Units	81,250.00	650,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Adaltis Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated October 13, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Loewen, Ondaatje, McCutcheon Limited
CIBC World Markets Inc.
Desjardins Securities Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #697262

Issuer Name:
Global Diversified Investment Grade Income Trust II.
Principal Regulator - Quebec
Type and Date:
Preliminary PREP Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
FIXED/FLOATING RATE UNITS, SERIES 2004-1
Maximum: $<*> (<*> Units); Minimum: $<*> (<*> Units)
Price: $10.00 per Unit Minimum Purchase: $1,000 (100 Units)
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
-
Project #698567

Issuer Name:
ALAMOS GOLD INC
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$24,000,000 - 8,000,000 Shares Price: $3.00 per Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
GMP Securities Ltd.
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
McFarlane Gordon Inc.
Promoter(s):
-
Project #698034

Issuer Name:
AUREUS VENTURES INC.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated October 13, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
$1,500,000 - 6,000,000 Common Shares Price: $0.25 per Common Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Harry L Knutson
Project #697628

Issuer Name:
Avenir Diversified Income Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$35,000,000 (Maximum Offering); $25,000,000 (Minimum Offering) A Minimum of * and a Maximum of * Trust Units Price: $ * per Trust Unit
Underwriter(s) or Distributor(s):
Raymond James Ltd.
GMP Securities Ltd.
First Associates Investment Inc.
Canaccord Capital Corporation
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #698058

Issuer Name:
Franconia Minerals Corporation
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Prospectus dated October 8, 2004
Mutual Reliance Review System Receipt dated October 13, 2004
Offering Price and Description:
A Maximum Offering of $* (* Units) and A Minimum Offering of $* (* Units) Price: $0.* per Unit
Underwriter(s) or Distributor(s):
Clarus Securities Inc.
Promoter(s):
Brian Gavin
Ernest K. Lehmann
Project #656711

Issuer Name:
Golf Town Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 14, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit.
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
Scotia Capital Inc.
Promoter(s):
Manulife International Capital Corporation Limited
Project #697200

Issuer Name:
IA Select US Equity Fund
IA Canadian Conservative Income Plus Fund
IA Canadian Dividend Fund
IA Canadian Conservative Equity Fund
Principal Regulator - Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus and Annual Information Form dated October 13, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
Series I Units; Series A Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Industrial Alliance Mutual Funds Inc.
Project #696999

Issuer Name:
Investors Group Short Term Income Fund
Investors Group Income Fund
Principal Regulator - Manitoba
Type and Date:
Preliminary Simplified Prospectuses dated October 12, 2004
Mutual Reliance Review System Receipt dated October 13, 2004
Offering Price and Description:
Series "O" Units
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Group Financial Services Inc.
Promoter(s):
I.G. Investment Management, Ltd.
Project #696648

Issuer Name:
Investors Income Trust Fund
Investors Real Return Bond Fund
Alto Monthly Income Portfolio III
Alto Monthly Income Portfolio II
Alto Monthly Income Portfolio I
Principal Regulator - Manitoba
Type and Date:
Preliminary Simplified Prospectuses dated October 12, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
Series "A", Series "B" and Series "TDSC" and "TNL" Units; Series "A" and "B" Units;
Mutual Funds Units
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Group Financial Services Inc.
Investor Group Finance Services Inc.
Promoter(s):
I.G. Investment Management, Ltd.
Project #696993

Issuer Name:
Investors Short Term Capital Yield Class
Investors Capital Yield Class
Principal Regulator - Manitoba
Type and Date:
Preliminary Simplified Prospectuses dated October 12, 2004
Mutual Reliance Review System Receipt dated October 13, 2004
Offering Price and Description:
Series A Shares and Series B Shares
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Group Financial Services Inc.
Promoter(s):
I.G. Investment Management, Ltd
Project #696656

Issuer Name:
MCM Split Share Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$ * Million - * Preferred Shares; $ * Million * Class A Shares Prices: $ * per Preferred Share and $ * per Class A Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Market Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
Raymond James Ltd.
First Associates Investments Inc.
Promoter(s):
Mulvihill Capital Management Inc.
Project #697705

Issuer Name:
MK Resources Company
Principal Regulator - Ontario
Type and Date:
Second Amended and Restated Preliminary Prospectus dated October 19, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
US$ * - 61,000,000 Shares of Common Stock Price: US$ * per Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
Promoter(s):
-
Project #658848

Issuer Name:
Pan-Ocean Energy Corporation Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$30,750,000 - 1,500,000 Class B Subordinate Voting Shares Price: $20.50 per Class B Share
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
Haywood Securities Inc.
Jennings Capital Inc.
Research Capital Corporation
Promoter(s):
-
Project #698243

Issuer Name:
Sovereign Money Market Pool
Sovereign Global Equity RSP Pool
Sovereign Emerging Markets Equity Pool
Sovereign Overseas Equity Pool
Sovereign US Equity Pool
Sovereign Canadian Fixed Income Pool
Sovereign Canadian Equity Pool
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated October 13, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
Class A, B and F Units
Underwriter(s) or Distributor(s):
Frank Russell Canada Limited
Frank Russell Canada Limited
Promoter(s):
Frank Russell Canada Limited
Project #693860

Issuer Name:
Tahera Diamond Corporation (formerly Tahera Corporation)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 13, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
$* - *Common Shares Price: $* per Common Share
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
TD Securities Inc.
National Bank Financial Inc.
Dundee Securities Corporation
Westwind Partners Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #697088

Issuer Name:
TIR Systems Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$ * - * Common Shares
Underwriter(s) or Distributor(s):
TD Securities Inc.
Dloughy Merchant Group Inc.
Sprott Securities Inc.
Promoter(s):
-
Project #697854

Issuer Name:
Trimox Energy Inc.
Principal Regulator – Alberta
Type and Date:
Preliminary Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
5,000 Units ($5,000,000) And 4,000,000 Class A Shares ($4,000,000) Minimum Offering ($5,000,000)
Underwriter(s) or Distributor(s):
First Energy Capital Corp.
Promoter(s):
-
Project #697771

Issuer Name:
Xerium Technologies, Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
U.S. $ million (C$ million) 28,125,000 Income Deposit Securities (IDSs) U.S. $45.3 million %Senior Subordinated Notes due 2019
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
-
Project #687593

Issuer Name:
AMI Balanced Fund
AMI Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 14, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
Class M Mutual Fund Units at Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
BMO Investments Inc.
Project #692213

Issuer Name:
Breaker Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
Minimum: 8,000 Units ($8,000,000); Maximum: 9,500 Units ($9,500,000) - Price: $1,000 per Unit Minimum Subscription: 5 Units ($5,000)
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Canaccord Capital Corporation
Orion Securities Inc.
Tristone Capital Inc.
Promoter(s):
P. Daniel O'Neil
Robert Leach
Project #688468

Issuer Name:
Brookfield Properties Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$150,000,000.00 - 6,000,000 Class AAA Preference Shares, Series K Price $25.00 per Series K Preference Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Merrill Lynch Canada Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Trilon Securities Corporation
Promoter(s):
-
Project #695534

Issuer Name:
Burgundy American Equity Fund
Burgundy Balanced Income Fund
Burgundy Bond Fund
Burgundy Canadian Equity Fund
Burgundy European Equity Fund
Burgundy European Foundation Fund
Burgundy Focus Canadian Equity Fund
Burgundy Foundation Trust Fund
Burgundy Money Market Fund
Burgundy Partners Equity RSP Fund
Burgundy Partners' Fund
Burgundy Partners' RSP Fund
Burgundy T-Bill Fund
Burgundy U.S. Money Market Fund
Burgundy U.S. T-Bill Fund
Type and Date:
Amendment #1 dated October 6, 2004 to Final Annual Information Forms dated July 16, 2004
Receipted on October 13, 2004
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Burgundy Asset Management Ltd.
Promoter(s):
Burgundy Asset Management Ltd.
Project #658715

Issuer Name:
Canlan Ice Sports Corp.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated October 14, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
$9,331,693.80 - Offer of Rights to Subscribe for up to 186,633,876 Common Shares at a Price of $0.05 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #692602

Issuer Name:
Cinch Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
17,364,905 Common Shares and 21,706,131 Warrants Issuable Upon Exercise of 43,412,262 Subscription Receipts
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #690533

Issuer Name:
Desert Sun Mining Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 12, 2004
Mutual Reliance Review System Receipt dated October 13, 2004
Offering Price and Description:
$14,500,000.00 - 10,000,000 Units Price: $1.45 per Unit
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
CIBC World Markets Inc.
GMP Securities Ltd.
Salman Partners Inc.
Promoter(s):
-
Project #694946

Issuer Name:
Dynamic Canadian High Yield Bond Fund II
Dynamic Global Bond Fund
Dynamic Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Amendment #5 dated October 5, 2004 to Final Simplified Prospectuses and Annual Information Forms dated January 22, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Gooodman & Company, Investment Counsel Ltd.
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
Gooodman & Company, Investment Counsel Ltd.
Project #586034

Issuer Name:
Emblem Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated October 14, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
Minimum Offering: $700,000 or 4,666,666 Common Shares; Maximum Offering: $1,000,000 or 6,666,666 Common Shares Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Kingsdale Capital Markets Inc.
Promoter(s):
-
Project #667113

Issuer Name:
Fidelity Canadian Disciplined Equity Fund
Fidelity Canadian Growth Company Fund
Fidelity Canadian Large Cap Fund
Fidelity Canadian Opportunities Fund
Fidelity True North Fund
Fidelity American Disciplined Equity Fund
Fidelity RSP American Disciplined Equity Fund
Fidelity American Opportunities Fund
Fidelity RSP American Opportunities Fund
Fidelity American Value Fund
Fidelity Growth America Fund
Fidelity RSP Growth America Fund
Fidelity Small Cap America Fund
Fidelity RSP Small Cap America Fund
Fidelity Emerging Markets Fund
Fidelity Europe Fund
Fidelity RSP Europe Fund
Fidelity Far East Fund
Fidelity RSP Far East Fund
Fidelity Global Disciplined Equity Fund
Fidelity RSP Global Disciplined Equity Fund
Fidelity Global Opportunities Fund
Fidelity RSP Global Opportunities Fund
Fidelity International Portfolio Fund
Fidelity RSP International Portfolio Fund
Fidelity Japan Fund
Fidelity RSP Japan Fund
Fidelity Latin America Fund
Fidelity NorthStar Fund
Fidelity RSP NorthStar Fund
Fidelity Overseas Fund
Fidelity RSP Overseas Fund
Fidelity Focus Consumer Industries Fund
Fidelity Focus Financial Services Fund
Fidelity RSP Focus Financial Services Fund
Fidelity Focus Health Care Fund
Fidelity RSP Focus Health Care Fund
Fidelity Focus Natural Resources Fund
Fidelity Focus Technology Fund
Fidelity RSP Focus Technology Fund
Fidelity Focus Telecommunications Fund
Fidelity RSP Focus Telecommunications Fund
Fidelity Canadian Asset Allocation Fund
Fidelity Canadian Balanced Fund
Fidelity Diversified Income & Growth Fund
Fidelity Global Asset Allocation Fund
Fidelity RSP Global Asset Allocation Fund
Fidelity Canadian Bond Fund
Fidelity Canadian Short Term Bond Fund
Fidelity Canadian Money Market Fund
Fidelity American High Yield Fund
Fidelity U.S. Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 18, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
Series A, F, O and T Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited

Promoter(s):
-
Project #688335

Issuer Name:
FortisAlberta Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$200,000,000.00 - 5.33% Senior Unsecured Debentures due October 31, 2014; $200,000,000 6.22% Senior Unsecured Debentures due October 31, 2034 - Price: 99.960% per Series 04-1 Debenture; Price: 99.971% per Series 04-2 Debenture
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Promoter(s):
-
Project #691383

Issuer Name:
General Motors Acceptance Corporation of Canada, Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
Variable Denomination Adjustable Rate Demand Notes $1,250,000,000.00 Unconditionally guaranteed as to principal and interest by General Motors Acceptance Corporation
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #695683

Issuer Name:
Gerdau Ameristeel Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 14, 2004
Mutual Reliance Review System Receipt dated October 14, 2004
Offering Price and Description:
Cdn$ ¬ (U.S.$ ¬) 70,000,000 Common Shares Price: Cdn$ ¬ per Common Share
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
J.P. Morgan Securities Canada Inc.
Morgan Stanley Canada Limited
Promoter(s):
-
Project #695272

Issuer Name:
High River Gold Mines Ltd.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$50,000,001.80 - 27,027,028 Units - Price: $1.85 per Unit
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
Dundee Securities Corporation
CIBC World Markets Inc.
Paradigm Capital Inc.
Orion Securities Inc.
Promoter(s):
-
Project #695908

Issuer Name:
Jones Collombin Balanced Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated October 8, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
Mutual Fund Securities @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #685080

Issuer Name:
Legg Mason T-Plus Fund
Legg Mason Private Client Canadian Bond Portfolio
Legg Mason Canadian Index Plus Bond Fund
Legg Mason Canadian Active Bond Fund
Legg Mason Accufund
Legg Mason Symmetry Fund
Legg Mason Diversifund
Legg Mason Private Client Canadian Equity Portfolio
Legg Mason Canadian Core Equity Fund
Legg Mason Canadian Sector Equity Fund
Legg Mason North American Equity Fund
Legg Mason Canadian Growth Equity Fund
Legg Mason Brandywine Fundamental Value US Equity Fund
Legg Mason Batterymarch U.S. Equity Fund
Legg Mason U.S. Value Fund
Legg Mason International Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 13, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
Institutional Series and Private Investor Series
Underwriter(s) or Distributor(s):
Legg Mason Canada Inc.
Promoter(s):
-
Project #686827

Issuer Name:
Leitch Technology Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
Cdn$40,162,500.00 - 4,250,000 Common Shares Price: Cdn$9.45 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Orion Securities Inn.
First Associates Investment Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #695591

Issuer Name:
Paramount Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
$57,500,000.00 - 2,500,000 Common Shares at $23.00 per Common Share
Underwriter(s) or Distributor(s):
Firstenergy Capital Corp.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
CIBC World Markets Inc.
First Associates Investments Inc.
Peters & Co. Limited
Scotia Capital Inc.
Sprott Securities Inc.
Acumen Capital Finance Partners Limited
National Bank Financial Inc.
Octagon Capital Corporation
Tristone Capital Inc.
Promoter(s):
-
Project #695756

Issuer Name:
Pinnacle Short Term Income Fund
Pinnacle Income Fund
Pinnacle High Yield Income Fund
Pinnacle American Core-Plus Bond Fund
Pinnacle RSP American Core-Plus Bond Fund
Pinnacle Global Real Estate Securities Fund
Pinnacle RSP Global Real Estate Securities Fund
Pinnacle Strategic Balanced Fund
Pinnacle Global Tactical Asset Allocation Fund
Pinnacle Canadian Value Equity Fund
Pinnacle Canadian Mid Cap Value Equity Fund
Pinnacle Canadian Growth Equity Fund
Pinnacle Canadian Small Cap Equity Fund
Pinnacle American Value Equity Fund
Pinnacle RSP American Value Equity Fund
Pinnacle American Mid Cap Value Equity Fund
Pinnacle RSP American Mid Cap Value Equity Fund
Pinnacle American Large Cap Growth Equity Fund
Pinnacle RSP American Large Cap Growth Equity Fund
Pinnacle American Mid Cap Growth Equity Fund
Pinnacle RSP American Mid Cap Growth Equity Fund
Pinnacle International Equity Fund
Pinnacle RSP International Equity Fund
Pinnacle International Small to Mid Cap Value Equity Fund
Pinnacle RSP International Small to Mid Cap Value Equity Fund
Pinnacle Global Equity Fund
Pinnacle RSP Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated October 5, 2004 to Final Simplified Prospectuses and Annual Information Forms dated February 4, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Scotia Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #595540

Issuer Name:
Redwood Diversified Equity Fund
Redwood Diversified Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 14, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
Class A and O Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Redwood Asset Management Inc.
Promoter(s):
Redwood Asset Management Inc.
Project #687745

Issuer Name:
Rio Narcea Gold Mines, Ltd.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
$65,100,000.00 - 21,000,000 Units Price: $3.10 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
Sprott Securities Inc.
Orion Securities Inc.
Promoter(s):
-
Project #695931

Issuer Name:
Ripple Lake Diamonds Inc.
Principal Regulator - British Columbia
Type and Date:
Amendment #1 dated October 19, 2004 to Final Prospectus dated September 24, 2004
Mutual Reliance Review System Receipt dated October 19, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #682946

Issuer Name:
TD Managed Income Portfolio
TD Managed Income & Moderate Growth Portfolio
TD Managed Balanced Growth Portfolio
TD Managed Aggressive Growth Portfolio
TD Managed Maximum Equity Growth Portfolio
TD Managed Income RSP Portfolio
TD Managed Income & Moderate Growth RSP Portfolio
TD Managed Balanced Growth RSP Portfolio
TD Managed Aggressive Growth RSP Portfolio
TD Managed Maximum Equity Growth RSP Portfolio
TD FundSmart Managed Income Portfolio
TD FundSmart Managed Income & Moderate Growth Portfolio
TD FundSmart Managed Balanced Growth Portfolio
TD FundSmart Managed Aggressive Growth Portfolio
TD FundSmart Managed Maximum Equity Growth Portfolio
TD FundSmart Managed Income RSP Portfolio
TD FundSmart Managed Income & Moderate Growth RSP Portfolio
TD FundSmart Managed Balanced Growth RSP Portfolio
TD FundSmart Managed Aggressive Growth RSP Portfolio
TD FundSmart Managed Maximum Equity Growth RSP Portfolio
TD Managed Index Income Portfolio
TD Managed Index Income & Moderate Growth Portfolio
TD Managed Index Balanced Growth Portfolio
TD Managed Index Aggressive Growth Portfolio
TD Managed Index Maximum Equity Growth Portfolio
TD Managed Index Income RSP Portfolio
TD Managed Index Income & Moderate Growth RSP Portfolio
TD Managed Index Balanced Growth RSP Portfolio
TD Managed Index Aggressive Growth RSP Portfolio
TD Managed Index Maximum Equity Growth RSP Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 14, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
Promoter(s):
TD Asset Management Inc.
Project #672152

Issuer Name:
TD Managed Income RSP Portfolio
TD Managed Income & Moderate Growth RSP Portfolio
TD Managed Balanced Growth RSP Portfolio
TD Managed Aggressive Growth Portfolio
TD Managed Aggressive Growth RSP Portfolio
TD Managed Maximum Equity Growth Portfolio
TD Managed Maximum Equity Growth RSP Portfolio
TD FundSmart Managed Income RSP Portfolio
TD FundSmart Managed Income & Moderate Growth RSP Portfolio
TD FundSmart Managed Balanced Growth RSP Portfolio
TD FundSmart Managed Aggressive Growth Portfolio
TD FundSmart Managed Aggressive Growth RSP Portfolio
TD FundSmart Managed Maximum Equity Growth Portfolio
TD FundSmart Managed Maximum Equity Growth RSP Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 14, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
TD Asset Management Inc.
Promoter(s):
-
Project #671993

Issuer Name:
Trigon Exploration Canada Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated October 15, 2004
Mutual Reliance Review System Receipt dated October 18, 2004
Offering Price and Description:
3,091,000 Flow-Through Common Shares at a price of $0.55 per share ($1,700,050.00) and 5,091,000 Units at a price of $0.55 per Unit, each Unit consisting of one Common Share and one-half Common Share purchase warrant ($2,800,050.00)
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Westwind Partners Inc.
Promoter(s):
Trigon Exploration Ltd.
Sidney Himmel
George Poling
Project #682244

Issuer Name:
West Fraser Timber Co. Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated October 12, 2004
Mutual Reliance Review System Receipt dated October 13, 2004
Offering Price and Description:
$150,000,000.00 - 4.94% Debentures Due 2009 (Senior Unsecured)
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #695341

Issuer Name:
XPEL TECHNOLOGIES CORP.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 13, 2004
Mutual Reliance Review System Receipt dated October 15, 2004
Offering Price and Description:
1,455,000 Units Issuable Upon the Exercise of Special Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
W. Rege Brunner
Timothy A. Hartt
Craig K. Clement
Murray R. Nye
Maxwell A. Polinsky
Project #668801

Issuer Name:
Andromed Inc.
Type and Date:
Rights Offering Circular dated September 1, 2004
Accepted on October 7, 2004
Offering Price and Description:
Offering of Rights to subscribe for up to 5,244,978 Common Shares at a Purchase Price of $0.18
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #691516

Issuer Name:
M-real Corporation
Type and Date:
Rights Offering Circular dated September 10, 2004
Accepted on September 30, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #P30634

Issuer Name:
Intrinsyc Software International, Inc.
Type and Date:
Rights Offering Circular dated September 23, 2004
Accepted on September 24, 2004
Offering Price and Description:
Offer of Rights to Subscribe for Common Shares – 44,986,975 Rights at $.50 per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #669228

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Change of Name	From: Caldwell Investment Banking Inc. To: Blacktree Capital Corp.	Limited Market Dealer	September 30, 2004
Suspension of Registration	Gary W. Cox Ltd.	Investment Counsel & Portfolio Manager	October 11, 2004
Change of Name	From: American Diversified Funds Inc. To: Accredited Capital Corporation	Limited Market Dealer	October 8, 2004
New Registration	Ariel Capital Management, LLC	Non-Canadian Adviser (Investment Counsel & Portfolio Manager)	October 19, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Disciplinary Hearing - Michael Druhan

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF MICHAEL DRUHAN

October 15, 2004 (Ontario, Toronto) - The Investment Dealers Association of Canada announced today that a hearing will be held before a Hearing Panel appointed pursuant to Association By-law 20 in respect of matters for which Michael Druhan may be disciplined, on a date to be fixed by a Hearing Panel on October 27, 2004.

The hearing relates to allegations that while a Registered Representative at the Toronto offices of Yorkton Securities Inc. and Sprott Securities Inc., Mr. Druhan engaged in conduct unbecoming contrary to Association By-law 29.1 by (1) maintaining an account at an outside firm in the name of his spouse, without the knowledge or consent of his employers; and (2) engaging in personal financial dealings with clients when he received financial compensation or benefits from three clients without the knowledge or consent of his employers.

The hearing date will be fixed by a Hearing Panel at 10:00 AM on Wednesday, October 27, 2004 at the offices of Atchison & Denman Court Reporting Services Ltd. located 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 Hearing Panel 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 and its approved persons. Investigating complaints and disciplining Members and approved persons is part of the IDA's regulatory role.

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904, apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996, jkehoe@ida.ca

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