The Ontario Securities Commission

OSC Bulletin

April 29, 2005

Volume 28, Issue 17

(2005), 28 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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Published under the authority of the Commission by:
Carswell
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Toronto, Ontario
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The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

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

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

U.S.	$175
Outside North America	$400

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

ISSN 0226-9325

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Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

APRIL 29, 2005

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
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Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**Philip Services Corp. *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
May 10, 2005 10:00 a.m.	**Zoran Popovic & DXStorm.com Inc.** s. 127 Y. Chisholm in attendance for Staff Panel: tba
May 12, 13, 16, 18, 20, 30, 2005 June 1 & 3, 2005 10:00 a.m. May 19, 2005 1:00 p.m.	ATI Technologies Inc.*, **Kwok Yuen Ho, Betty Ho,** JoAnne Chang*, David Stone*, Mary de La Torre*, Alan Rae* and Sally Daub* s. 127 M. Britton in attendance for Staff Panel: SWJ/HLM/MTM * Settled
May 17, 2005 10:00 a.m.	**Portus Alternative Asset Management Inc., and Portus Asset Management, Inc.** s. 127 M. MacKewn in attendance for Staff Panel: TBD

May 18, 2005
9:00 a.m.

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

s.127

J. Superina in attendance for Staff

Panel: TBA

May 24-27, 2005
10:00 a.m.

Joseph Edward Allen, Abel Da Silva, Chateram Ramdhani and Syed Kabir

s.127

J. Waechter in attendance for Staff

Panel: RLS/ST/DLK

May 30, June 1, 2, 6, 7, 8, 9 and 10, 2005
10:00 a.m.

Buckingham Securities Corporation, David Bromberg*, **Norman Frydrych,** Lloyd Bruce* **and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)**

s. 127

J. Superina in attendance for Staff

Panel: PMM/RWD/DLK

* David Bromberg settled April 20, 2004
* Lloyd Bruce settled November 12, 2004

June 3, 2005
10:00 a.m.

Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig

s. 127

J. Waechter in attendance for Staff

Panel: TBA

June 14, 2005
2:30 p.m.

June 15–30, 2005
10:00 a.m.

In the matter of Allan Eizenga, Richard Jules Fangeat*, Michael Hersey*, Luke John McGee* and Robert Louis Rizzutto* **and In the matter of Michael Tibollo**

June 28, 2005
2:30 p.m.

s.127

T. Pratt in attendance for Staff

Panel: WSW/PKB/ST

* Fangeat settled June 21, 2004
* Hersey settled May 26, 2004
* McGee settled November 11, 2004
* Rizzutto settled August 17, 2004

June 29 & 30, 2005
10:00 a.m.

Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton

s. 127

J. Cotte in attendance for Staff

Panel: PMM/RWD/DLK

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

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

1.1.2 Notice of Ministerial Approval - Amendment to and Restatement of National Instrument 55-101 and Companion Policy 55-101CP Insider Reporting Exemptions

NOTICE OF MINISTERIAL APPROVAL

AMENDMENT TO AND RESTATEMENT OF NATIONAL INSTRUMENT 55-101 AND COMPANION POLICY 55-101CP *INSIDER REPORTING EXEMPTIONS*

On March 22, 2005, the Chair of the Management Board of Cabinet approved, pursuant to subsection 143.3(3) of the *Securities Act* (Ontario), National Instrument 55-101 *Insider Reporting Exemptions* (the Rule) as a rule under the *Securities Act* (Ontario).

The Rule and the related companion policy, Companion Policy 55-101CP *Insider Reporting Exemptions* (the Policy), will come into force in Ontario on **April 30, 2005**.

The Rule and the Policy were previously published in the Bulletin on February 11, 2005. The Rule and Policy are published in Chapter 5 of this Bulletin.

1.1.3 CSA Staff Notice 57-303 - Frequently Asked Questions Regarding Management Cease Trade Orders Issued as a Consequence of a Failure to File Financial Statements

CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 57-303

FREQUENTLY ASKED QUESTIONS REGARDING MANAGEMENT CEASE TRADE ORDERS ISSUED AS A CONSEQUENCE OF A FAILURE TO FILE FINANCIAL STATEMENTS

Purpose

We, the staff of the Canadian Securities Administrators (the CSA), have recently received a number of questions in relation to "management" cease trade orders that may be issued as a consequence of the failure by a reporting issuer to file financial statements in a timely manner. We have compiled a list of the most frequently asked questions (the FAQs) and have set out our responses to such questions below.

This notice is dated April 29, 2005. We may from time to time reissue this notice to reflect additional frequently asked questions or concerns.

In addition, we are presently reviewing a number of issues relating to the application of CSA Staff Notice 57-301 (described below) and may publish additional guidance in relation to this notice in the future.

Background

Where a reporting issuer fails to file financial statements in a timely manner, the Canadian securities regulatory authorities may in certain circumstances issue a "management" cease trade order (an MCTO) instead of a conventional cease trade order (an issuer CTO or CTO).

An MCTO is part of a voluntary process whereby specific insiders and management of a reporting issuer are subject to a cease trade order that prohibits them from trading in securities of the defaulting reporting issuer. In contrast, an issuer CTO generally provides that *no person* may trade in securities of the defaulting reporting issuer. Accordingly, under the MCTO system, investors who are not members of the specified management and insider group are permitted to continue trading the issuer's securities while the MCTO is in effect.

The circumstances in which an MCTO may be issued as an alternative to an issuer CTO as a result of an issuer's failure to file financial statements are more fully described in the following materials:

- CSA Staff Notice 57-301 *Failing to File Financial Statements on Time – Management Cease Trade Orders* (CSA Staff Notice 57-301), and

- OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (OSC Policy 57-603).

These materials are available on the web sites of the applicable securities regulatory authorities.

Not all securities regulators have the ability to issue an MCTO. In the interest of regulatory harmonization, however, they will normally refrain from issuing an issuer CTO for so long as an MCTO imposed by an issuer's principal regulator remains outstanding.

In certain circumstances, the Canadian securities regulatory authorities may issue an MCTO for reasons other than a failure to file financial statements in a timely manner. For example, as described in CSA Multilateral Staff Notice 57-302 - *Failure to File Certificates Under Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings,* certain members of the CSA may issue an MCTO against the chief executive officer or chief financial officer of a reporting issuer as a consequence of a failure to file a certificate required by Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.* The FAQs in this notice are not intended to apply to MCTOs issued under MI 52-109.

The following FAQs are representative of the types of questions that we have received since the publication of OSC Policy 57-603 and CSA Staff Notice 57-301.

Frequently Asked Questions:

Q1. I am a director of a company, ABC Co., which has failed to file financial statements by the required deadline and have been named in a management cease trade order issued against management and insiders of ABC Co. I am also a director of another company, XYZ Co., which is in the process of preparing its annual information form (AIF). Is XYZ Co. required to include disclosure relating to my MCTO in its AIF? If XYZ Co. wishes to make an offering under prospectus, is it required to include disclosure relating to my MCTO in its prospectus?

A1. Yes. XYZ Co. will generally be required to include disclosure relating to the MCTO in its AIF, information circular and prospectus, if the MCTO is outstanding for more than 30 consecutive days. Under Canadian securities law, an AIF, information circular and prospectus are generally required to be prepared in accordance with a prescribed form. Each of these forms contains provisions that require certain disclosure relating to the directors and officers of the issuer filing the form. Included within this disclosure is a requirement that the issuer disclose whether any of its directors or officers are, or within the last 10 years have been, directors or officers of *any other* issuer that was the subject of a cease trade order or similar order.

The specific line item requirements relating to cease trade orders are as follows:

- Section 16.2 of Form 41-501F1 *Information Required in a Prospectus,*
- Section 8.2 of Form 44-101F1 *AIF*,
- Subsection 10.2(1) of Form 51-102F2 *Annual Information Form*,
- Subsection 7.2 of Form 51-102F5 *Information Circular*, and
- Section 16.2 of Schedule 1 to Policy Statement Q-28 *General Prospectus Requirements*.

Staff take the view that the above disclosure requirements apply to both issuer CTOs and MCTOs issued under CSA Staff Notice 57-301 and OSC Policy 57-603.

Where an issuer is required to include disclosure relating to an MCTO in a public filing, the issuer may supplement the disclosure with additional information explaining the circumstances of the MCTO.

Staff may be prepared to recommend exemptive relief from the disclosure requirements resulting from the issuance of an MCTO in certain limited circumstances. For example, where a director or officer is elected or appointed to an issuer after the issuer has come to be in default of its financial statement filing requirements, and the director or officer did not otherwise have any involvement in the circumstances that led to the issuer being in default, staff may be prepared to recommend an exemption from the MCTO disclosure requirements for such officers and directors. We recognize that an issuer that is in default may seek to attract new officers and directors as part of its plan to remedy the default. We also recognize that the disclosure requirements that are triggered by the issuance of an MCTO may, in certain circumstances, have a negative impact on the ability of issuers that are in default to attract new directors and officers. Accordingly, in these circumstances staff may be prepared to recommend relief.

Q2. I am an employee of a company, ABC Co., that has failed to file financial statements by the required deadline. A management cease trade order has been issued against management and insiders of ABC Co. I have been named as a respondent in the order but believe that this is a mistake. Although my job title is that of "vice-president", I would characterize my job more as a middle management position rather than a senior executive position. What can I do?

A2. As described in CSA Staff Notice 57-301 and OSC Policy 57-603, where a reporting issuer determines that it will not comply (or subsequently determines that it has not complied) with a financial statement filing requirement, the reporting issuer may request that the securities regulatory authorities issue an MCTO in lieu of an issuer CTO. Generally, the issuer will be required to provide an affidavit with this request listing the names and positions / titles (if any) of each person who comes within

the definition of "defaulting management and other insiders".

The term "defaulting management and other insiders" refers to persons who

- have been directors, officers or insiders of the defaulting reporting issuer at any time since the end of the period covered by the last financial statements of the defaulting reporting issuer that were filed in accordance with a financial statement filing requirement; and
- during that time have had, or may have had, access to any material fact or material change with respect to the defaulting reporting issuer that has not been generally disclosed.

We recognize that a person may be included in the list submitted by the issuer in error or that a person named in the list may reasonably disagree with the determination made by the issuer. Where it appears that a person has been named in an order by mistake or can otherwise demonstrate that they do not come within the terms of the definition, staff will generally be prepared to recommend that the order be varied. Accordingly, if you have a concern in this regard, please contact staff to discuss the circumstances of your situation.

Q3. I am the president of a company that has failed to file financial statements by the required deadline and have been named in a management cease trade order issued against management and insiders of the company. The company filed its first biweekly default status report two weeks ago. If there have not been any changes to the information contained in this report since it was filed, do we still have to file another biweekly default status report?

A3. Yes. As described in s. 3.2 of OSC Policy 57-603, even where there has been no change in the information contained in the most recently filed default status report, the fact that there has been no such change should be communicated in a new default status report.

April 29, 2005

1.1.4 Notice of Ministerial Approval of Amendments to NI 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer

NOTICE OF MINISTERIAL APPROVAL
OF AMENDMENTS TO
NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS OF SECURITIES OF A REPORTING ISSUER

On January 18, 2005, the Chair of the Management Board of Cabinet approved amendments to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (the Instrument). Previously, materials related to the amendments to the Instrument and Companion Policy 54-101CP (the Companion Policy) were published in the Bulletin on November 26, 2004. The amendments to the Instrument and the Companion Policy came into effect on February 9, 2005.

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

1.1.5 Notice of Chair of Management Board of Cabinet Approval of OSC Rule 48-501

NOTICE OF CHAIR OF MANAGEMENT BOARD OF CABINET APPROVAL OF FINAL RULE UNDER THE SECURITIES ACT

OSC RULE 48-501 *TRADING DURING DISTRIBUTIONS, FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS*

On April 12, 2005, the Chair of Management Board of Cabinet approved OSC Rule 48-501 *Trading During Distributions, Formal Bids and Share Exchange Transactions* (Rule) as a rule under the *Securities Act*. The Rule was published for comment on August 29, 2003, at (2003) 26 OSCB 6157, republished for comment on September 10, 2004, at (2004) 27 OSCB 7766, and made by the Commission in February 2005, at which time the Commission also approved Companion Policy 48-501 CP to the Rule (Companion Policy) to come into effect at the same time as the Rule.

The Rule and Companion Policy will come into force on May 9, 2005.

The Rule and Companion Policy are published in Chapter 5 of this Bulletin and in the Policy and Regulation section of the Commission's web site at www.osc.gov.on.ca. No changes have been made to the Rule or Companion Policy since their previous publication in the Bulletin on March 4, 2005 (2005) 28 OSCB 2212. Notice of the Rule will be published in the Gazette on May 14, 2005.

The amendments to the Universal Market Integrity Rules 1.1, 1.2, 7.7 and 7.8 and Policies 1.1, 1.2 and 7.7 relating to trading during certain securities transactions (published in their final form at (2005) 28 OSCB 2351) will become effective on the same date.

1.3 News Releases

1.3.1 OSC Chair Invites Consumers of Financial Services to Tell Their Stories at Investor Town Hall

FOR IMMEDIATE RELEASE
April 22, 2005

OSC CHAIR INVITES CONSUMERS OF FINANCIAL SERVICES TO TELL THEIR STORIES AT INVESTOR TOWN HALL

Toronto - Ontario Securities Commission (OSC) Chair David Brown is inviting consumers of financial services to take part in an Investor Town Hall on Tuesday May 31, 2005. The event, to be held in the CBC Atrium in downtown Toronto, will provide an opportunity for dialogue between consumers and regulators, including the OSC, the Investment Dealers Association of Canada (IDA), the Mutual Fund Dealers Association of Canada (MFDA) and the Ombudsman for Banking Services and Investments (OBSI). Investors will learn how the current investor complaint and arbitration mechanisms work, and have the chance to suggest improvements to these systems.

"We are creating an opportunity for consumers of financial services to share their experiences – good and bad," said Brown. "The voice of the retail investor – Main Street – is too often not heard by Bay Street. We want to correct that."

A panel, to be moderated by the CBC's Mike Hornbrook, will include David Brown, IDA President & CEO Joseph Oliver, Canadian Banking Ombudsman Michael Lauber, and MFDA President & CEO Larry Waite, as well as Small Investor Protection Association President Stan Buell. Each panelist will give brief remarks then take questions and comments from the audience.

"We look forward to an evening of lively commentary and commit to reporting back on our follow-through," said Brown.

The CBC Atrium is located at 250 Front Street West, Toronto, Ontario. Admission is free. Investors are asked to arrive at 6:00 p.m. for refreshments and to visit exhibitor booths. Panelist remarks begin at 6:30 p.m., followed by an open forum until 8:00 p.m.

Register in advance by calling 416-593-7744 or e-mailing townhall@osc.gov.on.ca. For more information and to register online, click on the Investor Town Hall button at www.osc.gov.on.ca.

Members of the media are requested to pre-register with Eric Pelletier at 416-595-8913.

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

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 to Hear a Settlement Agreement with Agnico-Eagle Mines Limited

THE ONTARIO SECURITIES COMMISSION TO HEAR A SETTLEMENT AGREEMENT WITH AGNICO-EAGLE MINES LIMITED

TORONTO - On April 22, 2005, the Ontario Securities Commission issued a Notice of Hearing to consider a settlement agreement with Agnico-Eagle Mines Limited ("Agnico-Eagle") and delivered a related Statement of Allegations. Staff allege that on two occasions, Agnico-Eagle failed to forthwith disclose material changes in its affairs, and on one occasion, issued an inaccurate news release. The hearing to consider the settlement agreement will be held at the offices of the Commission, Small Hearing Room, 17th Floor, 20 Queen Street West, Toronto, on Thursday, April 28, 2005 at 11:00 a.m.

Copies of the Notice of Hearing and Statement of Allegations are available on the OSC's website at (www.osc.gov.on.ca).

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 Settlement with Andrew Cheung Approved Over Failure to File Insider Trade Reports

FOR IMMEDIATE RELEASE
April 26, 2005

OSC SETTLEMENT WITH ANDREW CHEUNG APPROVED OVER FAILURE TO FILE INSIDER TRADE REPORTS

TORONTO – At a hearing at the Ontario Securities Commission (OSC) today, a settlement agreement between staff of the Commission and Andrew Cheung was approved. Cheung agreed that on 21 occasions between November 2003 and October 2004, he failed to file reports as required by section 107(2) of the Ontario *Securities Act*. The trades were executed by Global Genius Investments Ltd., a company beneficially owned by Cheung.

In approving a settlement agreement in the public interest, the Commission panel issued an order that Cheung pay an administrative penalty of $5,000, and pay $3,500 towards the cost of the investigation and the proceeding.

"This is a simple case, but an important one," said OSC Enforcement Director Michael Watson. "Insiders of reporting issuers have a clear requirement to file insider trade reports on a timely basis. Mr. Cheung acknowledges that he did not file reports for 21 trades executed over an 11 month period."

"The street should take note that there is a new vigilance on the part of staff when individuals fail to report their trades. We can and will bring cases quickly to a hearing and resolution under our simplified process," added Watson, noting the unreported trades occurred as recently as October 2004. Watson also noted that this case is the first in which the Commission has imposed an administrative penalty on an individual, under new powers that were granted to the Commission in April, 2003.

Copies of the settlement agreement and order issued by the Commission are made available on the OSC's web site (www.osc.gov.on.ca).

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)

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 FA Cooperative, Inc. - MRRS Decision

Headnote

Application for relief from the registration and prospectus requirements - issuer in the business of conducting a cooperative buying group that functions similar to a franchise - Franchisees required to purchase one common share for a nominal amount upon entering into a franchise agreement - Franchisees not investors in a conventional sense and share issuance not a financing - relief granted subject to conditions.

Statutes Cited

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

April 13, 2005

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

AND

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

AND

IN THE MATTER OF
FA COOPERATIVE, INC. (the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the proposed issuance of common shares of the Filer (Common Shares) to a Canadian Franchisee (as defined below) upon the Canadian Franchisee entering into a Franchise Agreement and Stock Subscription Agreement (each as defined below) be exempt from the dealer registration requirement and prospectus requirement (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 cooperative association incorporated under the General Corporation Law of Delaware on November 1, 2000.

2. The Filer is not, and has no current intention of becoming, a reporting issuer in any Jurisdiction.

3. The authorized capital of the Filer consists of 60,000 Common Shares, divided into two classes: (a) 30,000 Class A Common Shares with a par value of U.S.$1.00 each; and (b) 30,000 Class B Common Shares with a par value of U.S.$1.00 each. There are no differences, limitations or restrictions between Class A Common Shares and Class B Common Shares and the holders of Class A Common Shares and Class B Common Shares have the same rights, powers and preferences.

4. There is no market for the Common Shares and the Common Shares are not traded on any marketplace as defined in National Instrument 21-101 Marketplace Operation.

5. The Filer commenced its operations in the United States of America on approximately November 1, 2000.

6. The Filer's business is conducting a cooperative buying group that functions in a manner similar to the concept of a franchise in Canada. The Filer operates in the retail floor covering industry and enables independent floor covering stores to negotiate for the purchase of products together. In addition, membership in the buying group includes:

(a) the right to operate a retail floor covering store; and

(b) a terminable non-exclusive license to use the trademarks of the Filer on or in connection with (i) the franchisee performing services related to the franchise, (ii) the franchisee's retail sale of products, and (iii) the franchisee's advertising of the above mentioned activities.

7. The Filer's by-laws provide that only a member of the Filer (who must be a franchisee) may hold Common Shares. Those members may in no way sell, encumber or otherwise transfer the Common Shares to any party other than the Filer itself upon the termination of the membership agreement or, with the approval of the Filer, another franchisee.

8. There are currently 362 Class A Common Shares issued and outstanding.

9. The outstanding Class A Common Shares are held by 362 persons or companies resident outside of Canada, each of which is a franchisee of the Filer. Each Class A Common Share was issued for U.S.$1.00 per share.

10. The Filer has entered into a management agreement with Flooring America Management Enterprises, Inc. (**Flooring America**) whereby Flooring America manages the affairs of the Filer for the benefit of the shareholders of the Filer.

11. 2976820 Canada Inc. (**Flooring Canada**), the operating franchisor in Canada, is a corporation wholly owned by Flooring America.

12. By signing a franchise agreement (a **Franchise Agreement**), a franchisee in Canada (a **Canadian Franchisee**) will be entitled to become a member in the Filer's buying group.

13. Flooring Canada currently has a relationship with certain entities operating in the Canadian retail floor covering industry and anticipates that those entities will enter into Franchise Agreements with Flooring Canada.

14. n conjunction with the entering into of a Franchise Agreement, each Canadian Franchisee is required to execute a stock subscription agreement (a Stock Subscription Agreement) with the Filer in order to subscribe for a Common Share.

15. The Filer proposes to issue and allot to each Canadian Franchisee, one fully paid and non-assessable Class A Common Share in the capital stock of the Filer in consideration for which each Canadian Franchisee will pay to the Filer the sum of U.S.$1.00.

16. It is expected that there will be approximately 65 Canadian Franchisees, in nine provinces, including: 30 Canadian Franchisees in Ontario, 4 Canadian Franchisees in Manitoba, 5 Canadian Franchisees in Saskatchewan, 9 Canadian Franchisees in Alberta, 4 Canadian Franchisees in Newfoundland and Labrador, 1 Canadian Franchisee in Prince Edward Island, 2 Canadian Franchisees in Nova Scotia, 3 Canadian Franchisees in New Brunswick and 7 Canadian Franchisees in British Columbia.

17. Each certificate representing a Common Share will bear a legend stating that the Common Share represented by the certificate and the right to transfer the Common Share is subject to restrictions on transfer contained in the Filer's by-laws and in the relevant Stock Subscription Agreement.

18. As a shareholder of the Filer, each Canadian Franchisee will be provided the audited financial statements of the Filer on an annual basis. As well, the Filer will hold an annual shareholders' meeting, at which time all shareholders of the Filer will be provided with a review of the operating results of the Filer and the opportunity to ask questions of management of the Filer.

19. Each Canadian Franchisee is obligated to pay to Flooring Canada, upon execution of the Franchise Agreement, a non-refundable initial franchise fee as specified in the Franchise Agreement. The initial franchise fee is deemed to be fully earned by Flooring Canada upon execution of the Franchise Agreement and is not refundable. The current range of the initial franchise fee and recommended display packages is from $25,000 to $60,000.

20. Immediately upon the termination for any reason whatsoever of the Franchise Agreement, the Canadian Franchisee must immediately endorse the certificate representing the Canadian Franchisee's Common Share in favour of the Filer and deliver the same to the Filer free and clear of all liens and encumbrances. In exchange for the certificate duly and properly endorsed to the Filer, the Filer is obliged to refund to the Canadian Franchisee the purchase price of U.S.$1.00 paid. The only exception to this requirement to transfer the Common Share to the Filer occurs where, with the approval of the Filer, the Common Share is transferred to a new franchisee to whom the Canadian Franchisee is selling its franchise business.

21. No Canadian Franchisee is known to be, or is expected to be at the time it acquires a Common Share, an "accredited investor" as defined in Section 1.1 of OSC Rule 45-101 Exempt Distributions.

22.. The Filer is not registered extra-provincially in Saskatchewan under Saskatchewan co-operative 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:

(a) before the issuance of a Common Share to a Canadian Franchisee as permitted by this decision, the Filer delivers to the Canadian Franchisee a copy of

(i) the articles and by-laws of the Filer, and all amendments thereto;

(ii) the most recent annual audited financial statements of the Filer;

(iii) this decision; and

(iv) a statement to the effect that as a consequence of this decision, certain protections, rights and remedies provided by the Legislation, including statutory rights of rescission or damages, will not be available to the Canadian Franchisee and that certain restrictions are imposed on the subsequent disposition of the Common Share;

(b) all share certificates representing the Common Shares bear a legend stating that the right to transfer the Common Shares is subject to restrictions contained in the by-laws of the Filer and the relevant Stock Subscription Agreement;

(c) the exemptions contained in this decision cease to be effective if any one of the provisions of the articles or by-laws of the Filer or of any Franchise Agreement or Stock Subscription Agreement relevant to the exemptions granted herein are amended in any material respect without written notice to, and consent by, the Decision Makers;

(d) the Filer prepares and sends audited financial statements to each Canadian Franchisee on an annual basis; and

(e) the first trade in the Common Shares to a person or company other than the Filer upon the redemption of the Common Shares or to a Canadian Franchisee is deemed to be a distribution or primary distribution to the public.

"Wendell Wigle"
Commissioner
Ontario Securities Commission

"Paul Bates"
Commissioner
Ontario Securities Commission

2.1.2 Frank Russell Canada Limited - MRRS Decision

Headnote

FRANK RUSSELL CANADA LIMITED

An MRRS decision granting relief from the requirement that a dealer send written trade confirmations to the client for each trade made in their account, subject to conditions. - Applies to those clients that are part of the applicants wrap account program who have granted full discretionary management authority to the applicant. - The dealer will send trade confirmations to applicant as portfolio manager, which in turn will provide detailed reports to client on a periodic basis.

April 19, 2005

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

AND

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

AND

IN THE MATTER OF
FRANK RUSSELL CANADA LIMITED

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland and Labrador, Nova Scotia, New Brunswick and Yukon Territory (the **Jurisdictions**) has received an application from Frank Russell Canada Limited (**FRCL**) for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the requirement contained in the Legislation that a dealer, that is registered in their respective jurisdiction and is a member of the Investment Dealers Association (a **Dealer**), promptly send to the client a written confirmation of a trade, (a **Trade Confirmation)** setting forth certain information specified in the Legislation, (the **Trade Confirmation Requirement**) shall not apply to trades executed by FRCL for accounts of its customers (the **Client or Clients**) that have discretionary management accounts (a **Wrap Account**) with a Dealer, that grant full discretionary authority over the accounts to FRCL (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 as represented by FRCL:

1. FRCL is an adviser registered under the applicable Legislation in each of the Jurisdictions.

2. FRCL offers its clients discretionary portfolio management services directly or through a Dealer.

3. To participate in the Wrap program each Client enters a written discretionary portfolio management agreement (a **Wrap Account Agreement**) with the Dealer, or with FRCL, setting out the terms and conditions and the respective rights, duties and obligations of the parties.

4. For each Client, a Dealer will open an account (the **Account**) separate and distinct from any other accounts the Client may have with the Dealer. Under the Wrap Account Agreement, the Client will grant full discretionary authority over the assets in the Account to FRCL. These Accounts will be operated in full compliance with the Legislation of the Jurisdictions and the rules and by-laws of the Investment Dealers Association of Canada.

5. The Client will provide to the Dealer sufficient information regarding the Client's investment objectives, preferences and restrictions from which FRCL will develop, along with the Client, a written investment policy statement and investor profile.

6. The Wrap Account Agreement will stipulate that the Client will pay a non-transactional fee to the Dealer and FRCL based on a fixed percentage of the market value of the Client's Account, which will include all custodial, reporting, transaction and brokerage fees and commissions. The Client may be responsible for other charges relating to administration fees for deferred income plans, NSF cheques, or client initiated transactions or services.

7. Under the Wrap Account Agreement, the Dealer, or another recognized securities custodian, will act as custodian of the securities and other assets in the Account. The Client will acknowledge and agree that transactions in the Account directed by FRCL will generally be executed through the Dealer or one of its affiliates.

8. The Dealer will provide to the Client a statement of account with respect to their Account as frequently as and containing the information required under the Legislation of the applicable Jurisdiction, including a list of all transactions undertaken in the Account during the period covered by that statement, and a statement of portfolio for the Account at the end of such period.

9. With respect to securities transactions conducted through the Dealer for a Client's Account, the Dealer will provide to FRCL the Trade Confirmations in the form and containing the information required under the Legislation of each applicable Jurisdiction. Unless otherwise requested, Clients will explicitly waive receipt of the Trade Confirmations under the Wrap Account Agreement.

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 and that with respect to any trade in a Clients Account initiated by FRCL, the Trade Confirmation Requirement shall not apply to a Dealer with respect to that trade provided that:

(a) Clients have consented in writing to the waiver of the Trade Confirmation Requirement; and

(b) the Dealer delivers the Trade Confirmation to FRCL.

"Paul M. Moore"
Commissioner
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

2.1.3 Osprey Media Group Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Exemption granted from the requirement to include certain financial statements in respect of a newly-incorporated, wholly-owned subsidiary of an income fund in an information circular - The information circular will be sent to the fund's unitholders in connection with a proposed internal reorganization that will replace the fund's operating company with a new operating limited partnership - Shares of the subsidiary will be issued to the fund's unitholders for an instant in time in order to allow the reorganization to be effected in a tax-efficient manner - The rights of unitholders in respect of the fund and their relative indirect interests in and to the revenues of the fund's business will not be affected by the reorganization.

Instrument cited

National Instrument 51-102 Continuous Disclosure Obligations, Form 51-102 F5 – Information Circular, Item 14.2

April 8, 2005

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

AND

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

AND

IN THE MATTER OF
OSPREY MEDIA INCOME FUND (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 of the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempt from the requirements of item 14.2 of Form 51-102F5 *Information Circular* of National Instrument 51-102 - *Continuous Disclosure Obligations* to include the following financial statements in the Filer's management information circular (the Circular) prepared in connection with the annual general and special meeting (the Meeting) of the Filer's unitholders (Unitholders) to consider and approve, among other things, the Reorganization (as defined below):

(a) audited financial statements of Newco (as defined below), and

(b) audited financial statements in respect of a probable significant acquisition of the Business (as defined below) by Newco

(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 limited purpose trust established under the laws of Ontario pursuant to an amended and restated declaration of trust dated as of April 15, 2004. The Filer is authorized to issue an unlimited number of units (Units). As of December 31, 2004, 49,037,788 Units were issued and outstanding.

2. The Filer holds all of the voting common shares and the notes issued by Osprey Media Group Inc. (**Osprey Opco**), an Ontario corporation, which carries on the Osprey Media newspaper business (the **Business**).

3. The Filer completed its initial public offering on April 15, 2004 pursuant to a long form prospectus dated April 6, 2004 (the **Prospectus**).

4. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of any of its obligations under the Legislation.

5. It is proposed that the Filer's present organizational structure undergo an internal reorganization (the **Reorganization**) to replace Osprey Opco with a new operating limited partnership (**Osprey LP**) to carry on the Business. Osprey LP will be indirectly owned by the Fund through a subsidiary trust (the **Trust**). Depending on whether or not certain federal budget proposals are enacted prior to the date of the Reorganization, the Reorganization may be amended so that Osprey LP would be directly owned by the Fund.

6. The Filer has scheduled the Meeting for May 10, 2005 to, among other things, approve the Reorganization.

7. The Reorganization will occur on a tax-deferred basis for the Filer and its Unitholders resident in Canada.

8. After giving effect to the Reorganization, the direct and indirect interests of the Filer in the assets of Osprey LP and its general partner and in the Business will be the same as the interests that the Fund held in Osprey and the Business immediately prior to the Reorganization.

9. As part of the Reorganization:

   (a) all of the assets of Osprey Opco will be transferred to Osprey LP for consideration that includes limited partnership units of Osprey LP;

   (b) he Filer will incorporate a wholly-owned subsidiary corporation (**Newco**) in connection with, and for the purpose of effecting, the Reorganization;

   (c) the Filer will distribute to Unitholders Class A shares (the **Class A Shares**) of Newco on a *pro rata* basis, as a return of capital on the date of the Reorganization;

   (d) the Filer will transfer its securities and notes of Osprey Opco to Newco;

   (e) Newco will amalgamate with Osprey Opco, and the Filer will acquire the assets of the amalgamated entity (hereinafter referred to as **Amalco**), including the limited partnership Units of Osprey LP, in exchange for Units;

   (f) the Class A Shares distributed to Unitholders will be redeemed by Amalco on the date of the Reorganization in exchange for the Units it received in the preceding step;

   (g) the Units received by Unitholders upon the redemption of the Class A Shares in the preceding step will be automatically consolidated on the same date as the Reorganization; and

   (h) in the event that certain federal budget proposals are not enacted prior to the date of the Reorganization, the Filer will transfer the assets acquired from Amalco, including the limited partnership units of Osprey LP, to the Trust in exchange for units and notes of the Trust.

10. Neither the number of issued and outstanding Units nor the relative holdings of Units by any Unitholder will be altered as a result of the completion of the Reorganization.

11. The Class A Shares and additional Units distributed to Unitholders will be outstanding for an instant in time on the date of the Reorganization prior to their automatic redemption and consolidation, respectively.

12. The Reorganization is being undertaken in order to structure the flow of revenues created by the Business and distributed to the Filer by its operating subsidiaries on an efficient basis. The rights of Unitholders in respect of the Filer and their relative indirect interests in and to the revenues of the Business will not be affected by the Reorganization.

13. The distribution of the Class A Shares and additional Units are, in each case, done solely to allow the Reorganization to be effected in such a manner as to ensure that Unitholders, the Filer and the Filer's subsidiaries will be able to make use of available roll-overs under applicable tax legislation, thus preserving the tax-deferred status of the Reorganization.

14. The audited consolidated annual financial statements of the Filer for the financial year ended December 31, 2004 (the **Fund Financial Statements**) (which include the financial results for Osprey Opco on a consolidated basis for the period of April 15, 2004 to December 31, 2004) have been filed on SEDAR and will be incorporated by reference into the Circular.

15. In connection with the initial public offering of the Filer, Osprey Opco prepared and included in the Prospectus audited annual financial statements for the financial years ended December 31, 2002 and 2003 and the five-month period ended December 31, 2001 (collectively, the **Osprey Financial Statements**). The Osprey Financial Statements were included in the Prospectus and filed on SEDAR, and will be incorporated by reference into the Circular.

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:

(a) the Filer complies with all other requirements of the Legislation applicable to the Circular; and

(b) the Fund Financial Statements and Osprey Financial Statements are incorporated by reference into the Circular.

"Erez Blumberger"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.4 Maxim Power Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirement to provide three years of audited financial statements in an information circular in connection with a restructuring transaction for a business that constitutes a significant acquisition provided that acceptable alternative disclosure is provided.

Rule / Instrument / Notice Cited

National Instrument 44-101, Short Form Prospectus Distributions
National Instrument 51-102, Continuous Disclosure Obligations
Ontario Securities Commission Rule 41-501, General Prospectus Requirements
CSA Staff Notice 42-303 Prospectus Requirements

Citation: Maxim Power Corp., 2005 ABASC 105

February 8, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA AND ONTARIO
(THE "JURISDICTIONS")

AND

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

AND

N THE MATTER OF
MAXIM POWER CORP.

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from Maxim Power Corp. ("Maxim") for a decision (the "Decision"), under the securities legislation of the Jurisdictions (the Legislation), that Maxim be exempt from the requirement in the Legislation to include three years of audited financial statements for the Partnership and the Power Plant (as those terms are defined below) in an information circular Maxim will send in connection with a restructuring transaction (the "Requested Relief").

2. 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

3. Unless otherwise defined, the terms herein have their meanings set out in National Instrument 14-102 – *Definitions*.

Representations

4. Maxim has represented to the Decision Makers that:

   4.1 Maxim has been duly incorporated under the laws of the Province of Alberta and Maxim's head office is located in Calgary, Alberta;

   4.2 Maxim is a reporting issuer in each of British Columbia, Alberta and Ontario;

   4.3 The common shares of Maxim ("Maxim Shares") are listed and posted for trading on the TSX Venture Exchange under the trading symbol "MXG";

   4.4 To its knowledge, Maxim is not in default of any of the requirements of the applicable securities legislation in any of the provinces in which it a reporting issuer;

   4.5 The Milner Power Limited Partnership (the "Partnership") was formed on October 31, 2003 for the purpose of purchasing the HR Milner power plant (the "Power Plant") from the Balance Pool of Alberta and ATCO (2000) Ltd. ("Atco"), which acquisition closed on January 29, 2004 with an effective date of January 1, 2004;

   4.6 The general partner of the Partnership is Milner Power Inc. (the "General Partner"). The General Partner was formed under the laws of Alberta and its head office is located in Alberta;

   4.7 At the time of this acquisition, the Partnership was owned as to 20% by Maxim and approximately 80% by 1083517 Alberta Ltd., 1083508 Alberta Ltd., 1022131 Alberta Ltd., 850820 Alberta Ltd., 1083582 Alberta Ltd. and ENTx Capital Corporation (collectively the "Vendors");

4.8 Maxim and each of the Vendors have entered into a letter agreement dated December 23, 2004 pursuant to which Maxim will acquire from each of the Vendors their respective partnership unit ("Unit") interest in the Partnership (the "Acquisition") and issue as consideration therefor an aggregate of 220,000,000 Maxim Shares, subject adjustment in certain events, at a deemed price of $0.32 per share, pro-rata to the Vendors' respective interest in the Units. Upon completion of the Acquisition, Maxim shall own 100% of the issued and outstanding Units.

4.9 An information circular (the "Information Circular"") detailing the Acquisition is anticipated to be mailed to securityholders of Maxim in February 2005 for a special meeting to be held on in March or April, 2005. The Information Circular must include prospectus level disclosure on the Partnership and, subject to the relief requested herein, the appropriate financial statement disclosure.

4.10 With respect to reverse takeover transactions, section 14.2 of Form 51-102F5 of National Instrument 51-102, *Continuous Disclosure Obligations* ("NI 51-102") requires disclosure as prescribed by the appropriate prospectus form for the reverse takeover acquirer. Accordingly, the financial statements of Maxim and the Partnership to be included in the Information Circular must comply with the applicable provisions in OSC Rule 41-501 and NI 51-102, respectively, which require the following financial statements:

(a) audited annual statements of income, retained earnings and cash flow for each of the 3 most recently completed financial years for each of (i) Maxim and, (ii) the Partnership and the Power Plant (as predecessor to the Partnership);

(b) audited annual balance sheets for the two most recently completed financial years for each of Maxim and the Partnership;

(c) comparative interim statements of income, retained earnings and cash flow for the most recently completed interim period (that ended more than 60 days before the date of the document) for each of Maxim and the Partnership;

(d) a balance sheet for the interim period referred to in (c) above for each of Maxim and the Partnership;

(e) pro forma financial statements, including a pro forma balance sheet as at the date of Maxim's most recent balance sheet (September 30, 2004) included in the Information Circular as if the Acquisition had taken place at that date; and

(f) pro forma income statement (including on a per share basis):

(i) as at December 31, 2003; and

(ii) as at the most recent interim period (September 30, 2004),

as if the Acquisition had taken place January 1, 2003.

4.11 A combination of the following factors render the audit of operating statements of the Power Plant for the 2001 and 2002 year extremely difficult if not impossible to conduct:

(a) in 2001, 2002, and 2003, the Power Plant was owned and operated by Atco, a business having operating revenues in excess of $617.3 million for the three-month period ended September 30, 2004. The Power Plant operations were relatively immaterial to Atco for consolidated audit purposes and typical audit procedures were not completed to the extent needed to satisfy a "stand alone audit", resulting in a scope limitation;

(b) for 2001 and 2002 Atco's auditors have confirmed that although basic source documents relating to the Power Plant for this period may exist, it would be extremely difficult if not impossible to locate such in the degree necessary to conduct a "stand alone audit",

and is not possible to obtain detailed supporting analysis; and

(c) many of the management and staff of Atco involved in 2001 and 2002 and sufficiently familiar with the Power Plant are not available to answer auditor questions or help reconstruct related supporting information.

4.12 Maxim will include in the Information Circular:

(a) pro forma balance sheet as at September 30, 2004;

(b) pro forma income statement for the year ended December 31, 2003 and the period ended September 30, 2004;

(c) audited financial statements for the Partnership for the period commencing January 1, 2004 and ending September 30, 2004; and

(d) audited operating statement of the Power Plant for the year ended December 31, 2003.

Decision

5. Each of the Decision Makers is satisfied that the Decision maker has the jurisdiction to make the Decision;

6. The Decision of the Decision Makers under the Legislation for the purposes of the Information Circular, is that:

6.1 the requirement contained in the Legislation to include in the Information Circular annual statements of income, retained earnings and cash flows in respect of the Partnership for the financial years ended December 31, 2003, 2002 and 2001 and an auditor's report thereon, a balance sheet in respect of the Partnership as at December 31, 2003 and 2002 and an auditor's report thereon, comparative interim statements of income, retained earnings and cash flow for the most recently completed interim period for the Partnership and a balance sheet for this interim period, shall not apply to Maxim, provided that Maxim shall include in the Information Circular: (i) pro forma balance sheet as at September 30, 2004; (ii) pro forma income statement for the year ended December 31, 2003 and the period ended September 30, 2004; (iii) audited financial statements for the Partnership for the period commencing January 1, 2004 and ending September 30, 2004; and (iv) audited operating statement of the Power Plant for the year ended December 31, 2003.

"Agnes Lau, CA"
Deputy Director, Capital Markets

2.1.5 BHP Billiton Lonsdale Investments Pty Ltd - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Take-over bid by Australian corporation that is not a reporting issuer in any jurisdiction of Canada – bid made in compliance with applicable Australian laws – 31 shareholders in Ontario holding less than 0.004% of the outstanding shares – corporation exempted from the take-over bid requirements, subject to conditions.

Applicable Ontario Statutes

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

Recognition Orders Cited

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

Citation: BHP Billiton Lonsdale Investments Pty Ltd., 2005 ABASC 277

April 13, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, MANITOBA, ONTARIO 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 BHP BILLITON LONSDALE INVESTMENTS PTY LTD. (THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the requirements contained in the Legislation relating to take-over bids (the Take-over Bid Requirements) shall not apply to the proposed offer by the Filer (the Offer) to acquire all of the issued and outstanding ordinary shares (the Ordinary Shares) of WMC Resources Limited (WMC)(the Requested Relief).

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

   2.1 the Alberta Securities Commission is the principal regulator for this application, and

   2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

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

4.1 The Filer is a corporation incorporated under the laws of Australia, and is a member of the BHP Billiton Group (BHP).

4.2 The Filer's registered office and headquarters are located at Melbourne, Australia.

4.3 The Filer is not a reporting issuer or the equivalent in any of the Jurisdictions.

4.4 The Filer's securities are not listed or quoted for trading on any Canadian stock exchange or market.

4.5 BHP is a dual listed company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities exist as separate companies, but operate as a combined group. BHP is listed on the Australian Stock Exchange (ASE) (through BHP Billiton Limited) and London Stock Exchange (through BHP Billiton Plc), along with a secondary listing on the Johannesburg Stock Exchange (through BHP Billiton Plc) and American Depositary Receipts listings on the New York Stock Exchange (NYSE).

4.6 WMC is a corporation incorporated under the laws of Australia.

4.7 WMC's registered office and headquarters are located at Melbourne, Australia.

4.8 WMC is not a reporting issuer or the equivalent in any of the Jurisdictions.

4.9 WMC's securities are not listed or quoted for trading on any Canadian stock exchange or market.

4.10 The list of holders of Ordinary Shares (Ordinary Shareholders) and other information provided by WMC to the Filer (the WMC Information) indicates that, as at March 21, 2005, there were 62 Ordinary Shareholders resident in Canada (the Canadian Ordinary Shareholders) out of a total of 90,117 Ordinary Shareholders worldwide holding a total of 103,871 Ordinary Shares representing approximately 0.009% of the total issued and outstanding Ordinary Shares.

4.11 Based on the WMC Information, the following table sets out the Jurisdictions in which the Canadian Ordinary Shareholders reside:

Province:	# of Canadian OrdinaryShareholders	# of Ordinary Shares held	Approximate % of all issued and outstanding Ordinary Shares
Alberta	5	3,233	0.0002%
British Columbia	24	42,952	0.003%
Manitoba	1	206	0.00001%
Newfoundland	1	182	0.00001%
Ontario	31	57,298	0.004%
TOTAL	62	103,871	0.009%

4.12 The Offer is being made, and the offer document reflecting the terms of the Offer (the Offer Document) is being prepared, in accordance with the corporate and securities laws of Australia.

4.13 If the Offer is completed and the Filer acquires 90% or more of the Ordinary Shares, the Filer intends to compulsorily acquire the remaining outstanding Ordinary Shares pursuant to Australian corporate law.

4.14 The Offer will be made to Canadian Ordinary Shareholders on the same terms and conditions as it is being made to the Ordinary Shareholders resident in Australia (the Australian Ordinary Shareholders), including extending to the Canadian Ordinary Shareholders identical rights and consideration.

4.15 The Offering Document and all other materials relating to the Offer that will be sent by or on behalf of the Filer to the Australian Ordinary Shareholders will be concurrently sent to the Canadian Ordinary Shareholders whose addresses are known to the Filer and copies thereof will be concurrently filed with the Decision Maker in each Jurisdiction.

4.16 The Filer cannot rely on the "de minimis" exemption from the Take-Over Bid Requirements in the Legislation because Australia is not a recognized jurisdiction for the purposes of this exemption.

Decision

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

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

6.1 the Offer, and any amendments thereto, is made in compliance with applicable Australian laws, and

all materials relating to the Offer and any amendments thereto which are sent by or on behalf of the Filer to Australia Ordinary Shareholders are concurrently sent to Canadian Ordinary Sharesholders whose addresses are known to the Filer and copies thereof are concurrently filed with the Decision Maker in each Jurisdiction.

"Glenda A. Campbell", Q.C., Vice-Chair
Alberta Securities Commission

"Stephen R. Mursion", Vice-Chair
Alberta Securities Commission

2.1.6 Mavrix Resource Fund 2004 Management Limited - MRRS Decision

Headnote

Issuer exempted from interim financial reporting requirements for first and third quarter of each financial year - issuer also exempted from requirements to file annual information forms and management's discussion and analysis - exemption terminates upon i) the occurrence of a material change in the business affairs of the issuer unless the Decision Makers are satisfied that the exemption should continue; or ii) National Instrument 81-106 - Investment Fund Continuous Disclosure coming into force and the requirements relating to the filing and delivery of interim financial statements and the filing and delivery of an AIF, Annual MD&A and Interim MD&A contained in National Instrument 81-106, becoming applicable to the Filer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 77, 79 and 80(b)(iii).

Applicable Ontario Rules

OSC Rule 51-501 – AIF and MD&A, (2000) 23 OSCB 8365, as am., ss. 1.2(2), 2.1(1), 3.1, 4.1(1), 4.3 and 5.1.

April 22, 2005

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

AND

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

AND

IN THE MATTER OF
MAVRIX RESOURCE FUND 2004 LIMITED PARTNERSHIP (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**"):

1. that the requirements contained in the Legislation that the Filer file with the Decision Makers and send to its securityholders (the "**Limited Partners**") its interim financial statements for each of the first and third quarters of each of the Filer's fiscal years (the "**First and Third Quarter Interim Financials**") shall not apply to the Filer; and

2. in Ontario only, a decision pursuant to the securities legislation of Ontario that the requirements to file and send to the Limited Partners:

   (a) an annual information form (an "**AIF**");

   (b) annual management's discussion and analysis of the financial condition and results of operation of the Filer ("**Annual MD&A**"); and

   (c) interim management's discussion and analysis of the financial condition and results of operation of the Filer ("**Interim MD&A**"),

   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 limited partnership formed pursuant to the *Limited Partnership Act* (Ontario) on October 10, 2003.

2. The principal place of business and registered office of the Filer is located at Suite 400, 36 Lombard Street, Toronto, Ontario M5C 2X3.

3. Mavrix Resource Fund 2004 Management Limited is the general partner (the "**General Partner**") of the Filer, and is responsible for the management of the Filer in accordance with the terms and conditions of an amended and restated limited partnership agreement dated March 19, 2004 (the "**Partnership Agreement**").

4. The Filer was formed for the purpose of raising funds to invest in certain common shares ("**Flow-**

Through Shares") of Canadian resource issuers engaged primarily in oil and gas and mineral exploration in Canada ("**Resource Issuers**") pursuant to flow-through agreements ("**Flow-Through Agreements**") between the Filer and the relevant Resource Issuer.

5. Under the terms of each Flow-Through Agreement, the Filer subscribes for Flow-Through Shares of the Resource Issuer and the Resource Issuer agrees to incur and renounce to the Filer, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which are qualified Canadian Exploration Expenses (as such term is defined in the *Income Tax Act* (Canada)).

6. On March 22, 2004, the Decision Makers together with the securities regulatory authority or regulator for Quebec, Manitoba and the Yukon (in which jurisdictions the relief sought in this Application is not required), issued a final receipt under the Mutual Reliance Review System for the final prospectus of the Filer dated March 19, 2004 (the "**Prospectus**") relating to a maximum offering of up to 5,000,000 Units. The Filer issued a total of 2,468,422 units of the Filer ("**Units**") pursuant to three closings, the last of which occurred on May 20, 2004, of its initial public offering.

7. The purchasers of the Units are the limited partners of the Filer (the "**Limited Partners**").

8. The Prospectus contained disclosure that the Filer intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Filer in respect of the first and third quarters of each fiscal year of the Filer.

9. The Units are not and will not be listed or quoted for trading on any stock exchange or market.

10. On or about March 31, 2006, the Filer will be liquidated and the Limited Partners will receive their *pro rata* share of the net assets of the Filer, unless the General Partner proposes one or more liquidation alternatives prior to that time or the Filer completes a rollover transaction before that time. It is the current intention of the General Partner prior to such time that the Filer exchange its assets for securities of a mutual fund corporation and distribute such securities to the Limited Partners on a *pro rata* basis.

11. Since its formation on October 10, 2003, the Filer's activities primarily included or will include (i) collecting the subscriptions from the Limited Partners, (ii) investing the available Filer funds in Flow-Through Shares of Resource Issuers, and (iii) incurring expenses to maintain the fund.

12. Unless a material change takes place in the business and affairs of the Filer, the Limited Partners will obtain adequate financial information concerning the Filer from the semi-annual financial statements and the annual report containing audited financial statements of the Filer together with the auditors' report thereon distributed to the Limited Partners. The Prospectus and the semi-annual financial statements provide sufficient background materials and the explanations necessary for a Limited Partner to understand the Filer's business, its financial position and its future plans, including dissolution or completion of a rollover transaction.

13. In light of the limited range of business activities carried on by the Filer and in light of the fact that the Filer intends to dissolve on or about March 31, 2006, or effect a rollover transaction sooner than that, the provision by the Filer of the First and Third Quarter Interim Financials, the AIF, the Annual MD&A and the Interim MD&A will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Filer.

14. It is disclosed in the Prospectus that the General Partner would apply on behalf of the Filer for relief from the requirements to prepare and deliver interim financial statements for the first and third quarters of each financial year of the Filer.

15. Each of the Limited Partners has, by subscribing for the Units offered by the Filer in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in the Partnership Agreement filed with the Prospectus and has thereby, in effect, consented to the making of this application for the exemption requested herein.

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 requirements contained in the Legislation to file and send to the Limited Partners its First & Third Quarter Interim Financials shall not apply to the Filer provided that this exemption shall terminate upon:

(i) the occurrence of a material change in the affairs of the Filer unless the Filer satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing; or

(ii) National Instrument 81-106 - ***Investment Fund Continuous Disclosure*** coming into force and the requirements relating to the filing and delivery of interim

financial statements contained in National Instrument 81-106 becoming applicable to the Filer.

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

The further decision of the securities regulatory authority or securities regulator in Ontario is that the requirements contained in the legislation of Ontario to file and send to its Limited Partners an AIF, Annual MD&A and Interim MD&A shall not apply to the Filer provided that these exemptions shall terminate upon:

(i) the occurrence of a material change in the affairs of the Filer unless the Filer satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing; or

(ii) National Instrument 81-106 - ***Investment Fund Continuous Disclosure*** coming into force and the requirements relating to the filing and delivery of an AIF, Annual MD&A and Interim MD&A contained in National Instrument 81-106 becoming applicable to the Filer.

"Leslie Byberg"
Manager, Investment Funds Branch

2.1.7 Spitfire Energy Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issuer bid requirements - relief granted from the issuer bid requirements for an issuer purchasing the shares of a private company that owns common shares of the issuer – transaction approved by independent committee of issuer – independent valuation of private company's oil and gas assets obtained - transaction in substance an asset sale and not a repurchase of securities.

Applicable Ontario Statutory Provisions

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

Citation: Spitfire Energy Ltd., 2005 ABASC 264

March 29, 2005

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

AND

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

AND

IN THE MATTER OF
SPITFIRE ENERGY LTD. (THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of each of the Jurisdictions (the Legislation) that the requirements contained in the Legislation relating to issuer bids (the Issuer Bid Requirements) shall not apply to the acquisition by the Filer of 4,250,000 of its issued and outstanding common shares from Spitfire Exploration Ltd. (Spitfirex) pursuant to the acquisition of all of the issued and outstanding common shares of Spitfirex by the Filer (the Requested Relief).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (the MRRS)

   2.1 the Alberta Securities Commission is the principal regulator for this application; and

2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

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

4.1 The Filer was incorporated under the Business Corporations Act (Alberta)(the ABCA) on August 3, 2001.

4.2 The head office and registered office of the Filer are each located in Calgary, Alberta.

4.3 The Filer is a reporting issuer in Alberta, but not in Ontario.

4.4 The Filer is not in default of any of the requirements under the Legislation.

4.5 The authorized share capital of the Filer consists of an unlimited number of common shares (Common Shares) and an unlimited number of preferred shares.

4.6 As of February 28, 2005, the Filer had the following securities issued and outstanding:

4.6.1 20,341,413 Common Shares, and

4.6.2 options to purchase an aggregate of 1,875,500 Common Shares.

4.7 The Common Shares are listed on the TSX Venture Exchange (the Exchange).

4.8 Keith N. Chase (Chase) is a resident of Calgary, Alberta and controls an aggregate of 3,855,848 Common Shares, representing 19% of the issued and outstanding Common Shares.

4.9 Massimilliano (Max) Fantuz (Fantuz) is a resident of Chatham, Ontario and controls an aggregate of 4,455,850 Common Shares representing 22% of the issued and outstanding Common Shares.

4.10 Spitfirex was incorporated under the ABCA on November 9, 1999.

4.11 The head office and registered office of Spitfirex are each located in Calgary, Alberta.

4.12 Spitfirex is not a reporting issuer in the Jurisdictions.

4.13 The authorized share capital of Spitfirex consists of an unlimited number of Class "A" common shares (Class "A" Shares), Class "B" common shares, Class "C" shares and Class "D" preferred shares (Class "D" Shares).

4.14 As of February 28, 2005, Spitfirex had 554 Class "A" Shares and 6,058 Class "D" Shares issued and outstanding all of which are owned by Chase and Fantuz Enterprises Inc., a company controlled by Fantuz.

4.15 Spitfirex owns 4,250,000 Common Shares (the Spitfirex Shares).

4.16 The Filer entered into a share purchase agreement with Spitfirex, Chase and Fantuz Enterprises Inc. dated December 10, 2004 (the Share Purchase Agreement) which provides that the Filer will purchase all of the issued and outstanding common shares of Spitfirex from Chase and Fantuz Enterprises Inc. (collectively, the Vendors) for cash consideration of $538,700 and the issuance of 4,250,000 Common Shares (the Acquisition).

4.17 Concurrent with the closing of the Acquisition, the Filer will cancel the Spitfirex Shares.

4.18 Spitfirex's oil and gas properties were independently valued, effective September 30, 2004, at $501,000 by Gilbert Lausten & Jung based on constant pricing at a 15% discount rate and Spirfirex's fixed assets were valued at $37,700, comprising the purchase price of $538,700 plus or minus working capital as at September 30, 2004.

4.19 The Acquisition is considered to be a non-arm's length transaction because, combined, the Vendors are a "control person" of the Filer as defined in the Legislation.

4.20 The independent members of the board of directors of the Filer have determined that the Acquisition, pursuant to the terms of the Share Purchase Agreement, is fair, from a financial point of view, to the Filer's shareholders (the Share-

holders) and is in the best interests of the Filer and Shareholders.

4.21 The Acquisition has been disclosed in a press release dated January 6, 2005 and will be disclosed to the Shareholders in detail in the Filer's 2004 annual report.

4.22 The Exchange has conditionally approved the Acquisition.

4.23 The acquisition of the Spitfirex Shares as a result of the Acquisition will constitute an "issuer bid" pursuant to the Legislation and cannot be made in reliance on any exemptions from the Issuer Bid Requirements.

Decision

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

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

"Stephen P. Sibold", Q.C.
Chair
Alberta Securities Commission

"Stephen R. Murison"
Vice-Chair
Alberta Securities Commission

2.1.8 Matrix Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – closed-end investment trust exempt from prospectus requirements in connection with the sale of units repurchased from existing security holders pursuant to market purchase programs and by way of redemption of units by security holders – first trade in repurchased securities deemed a distribution unless made in compliance with MI 45-102.

Ontario Statutes Cited

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities.

April 19, 2005

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

AND

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

AND

IN THE MATTER OF
MATRIX *Income Fund* (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 (the "**Requested Relief**") under the securities legislation of the Jurisdictions (the "**Legislation**"), that the requirement contained in the Legislation to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "**Prospectus Requirements**") shall not apply to the distribution of units of the Filer (the "**Units**") which have been repurchased by the Filer pursuant to the mandatory market purchase program, the discretionary market purchase program, or by way of redemption of Units at the request of holders thereof, as described below, nor to the first trade or resale of such repurchased Units (the "**Repurchased Units**") which have been distributed by 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 an unincorporated closed-end investment trust established under the laws of the Province of Alberta by a declaration of trust dated as of January 28, 2005 (the "**Declaration of Trust**").

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

3. The Filer became a reporting issuer or the equivalent thereof in the Jurisdictions on January 28, 2005 upon obtaining a receipt for its final prospectus dated January 28, 2005 (the "**Prospectus**"). As of the date hereof, the Filer is not in default of any requirements under the Legislation.

4. Each Unit represents an equal, undivided beneficial interest in the net assets of the Filer and is redeemable (as described below) at the option of the holder thereof.

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

6. Middlefield MATRIX Management Limited (the "**Manager**"), which was incorporated pursuant to the *Business Corporations Act* (Alberta), is the manager and the trustee of the Filer.

7. The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "MTZ.UN". As at March 21, 2005, 29,888,800 Units were issued and outstanding.

8. In order to enhance liquidity and to provide market support for the Units, pursuant to the Declaration of Trust and the terms and conditions that attach to the Units, the Filer shall, subject to compliance with any applicable regulatory requirements, be obligated to purchase (the "**Mandatory Purchase Program**") any Units offered in the market at the then prevailing market price if, at any time after the closing of the Filer's initial public offering, the price at which Units are then offered for sale is less than 95% of the net asset value of the Filer ("**Net Asset Value**") per Unit, provided that:

   (a) the maximum number of Units that the Filer shall purchase pursuant to the Mandatory Purchase Program in any calendar quarter will be 1.25% of the number of Units outstanding at the beginning of each such period; and

   (b) the Filer shall not be required to purchase Units pursuant to the Mandatory Purchase Program if:

      (i) the Manager reasonably believes that the Filer would be required to make an additional distribution in respect of the year to Unitholders of record on December 31 of such year in order that the Filer will generally not be liable to pay income tax after the making of such purchase;

      (ii) in the opinion of the Manager, the Filer lacks the cash, debt capacity or resources in general to make such purchases; or

      (iii) in the opinion of the Manager, the making of any such purchases by the Filer would adversely affect the ongoing activities of the Filer or the remaining Unitholders.

9. In addition, the Declaration of Trust provides that the Filer, subject to applicable regulatory requirements and limitations, shall have the right, but not the obligation, exercisable in its sole discretion, at any time, to purchase outstanding Units in the market at prevailing market prices (the "**Discretionary Purchase Program**"). Such discretionary purchases may be made through the facilities and under the rules of any exchange or market on which the Units are listed (including the TSX) or as otherwise permitted by applicable securities laws.

10. Pursuant to the Declaration of Trust and subject to the Filer's right to suspend redemptions, Units may be surrendered for redemption (the "**Re-**

demption Program" and, together with the Mandatory Purchase Program, Discretionary Purchase Program and Additional Redemptions (as defined below), the "**Programs**") by a Unitholder in the month of April of each year commencing in 2006 on any business day that is at least 15 business days prior to April 30 (the "**Valuation Date**") by giving notice thereof to the Filer's registrar and transfer agent. Units surrendered for redemption by a Unitholder by 5:00 p.m. (Toronto time) at least 15 business days prior to the Valuation Date will, subject to an investment dealer finding purchasers for Units properly surrendered for redemption at the direction of the Filer, be redeemed on such Valuation Date and the Unitholder will receive payment therefore on or before the 15th business day following such Valuation Date.

11. A Unitholder who surrenders a Unit for redemption on the Valuation Date of any year commencing in 2006 will receive the amount, if any, equal to the "Redemption Price per Unit" (as described in the Prospectus) less any costs of funding the redemption, including commissions.

12. In addition, the Manager may, at its sole discretion and subject to receipt of any necessary regulatory approvals, allow additional redemptions from time to time of Units ("**Additional Redemptions**"), for an amount equal to the Redemption Price per Unit less any costs of funding the redemption, including commissions; provided that the holder thereof shall be required to use the full amount received on such redemption to purchase treasury securities of a new or existing fund promoted by Middlefield Group then being offered to the public by prospectus.

13. Purchases of Units made by the Filer under the Programs are exempt from the issuer bid requirements of the Legislation pursuant to exemptions contained therein.

14. The Filer desires to, and the Declaration of Trust provides that the Filer shall have the ability to, sell through one or more securities dealers Repurchased Units, in lieu of cancelling such Repurchased Units and subject to obtaining all necessary regulatory approvals.

15. The Prospectus disclosed that the Filer may repurchase and redeem, as the case may be, Units under the Programs and that, subject to receiving all necessary regulatory approvals, the Filer may arrange for one or more securities dealers to find purchasers for any Repurchased Units.

16. In order to effect sales of Repurchased Units by the Filer, the Filer intends to sell, in its sole discretion and at its option, any Repurchased Units purchased by it under the Programs primarily through one or more securities dealers and through the facilities of the TSX (or such other exchange on which the Units are then listed).

17. All Repurchased Units will be held by the Filer for a period of 4 months after the repurchase thereof by the Filer (the "**Holding Period**"), prior to the resale thereof.

18. Repurchased Units that the Filer does not resell within 12 months after the Holding Period (or 16 months after the date of repurchase) will be cancelled by the Filer.

19. Prospective Purchasers who subsequently acquire Repurchased Units will have equal access to all of the continuous disclosure documents of the Filer, which will be filed on SEDAR, commencing with the Prospectus.

20. Legislation in some of the Jurisdictions provides that a trade by or on behalf of an issuer in previously issued securities of that issuer that have been purchased by that issuer is a distribution subject to the Prospectus Requirements.

21. Legislation in some of the Jurisdictions provides that the first trade or resale of Repurchased Units acquired by a purchaser will be a distribution subject to the Prospectus Requirements unless such first trade is made in reliance on an exemption therefrom.

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 trades of Repurchased Units pursuant to the Programs shall not be subject to the Prospectus Requirements of the Legislation provided that:

(a) the Repurchased Units are sold by the Filer through the facilities of and in accordance with the regulations and policies of the TSX or the market on which the Units are then listed;

(b) the Filer complies with the insider trading restrictions imposed by securities legislation with respect to the trades of Repurchased Units;

(c) the Filer complies with the conditions of paragraphs 1 through 5 of subsection 2.8(2) of Multilateral Instrument 45-102 with respect to the sale of the Repurchased Units; and

(d) the first trade or resale of Repurchased Units acquired by a purchaser from the Filer in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 1 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied.

"Paul M. Moore"
Vice Chair
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

2.1.9 Mavrix Resource Fund 2004 – II Limited Partnership - MRRS Decision

Headnote

Issuer exempted from interim financial reporting requirements for first and third quarter of each financial year – issuer also exempted from requirements to file annual information forms and management's discussion and analysis – exemption terminates upon i) the occurrence of a material change in the business affairs of the issuer unless the Decision Makers are satisfied that the exemption should continue; or ii) National Instrument 81-106 – Investment Fund Continuous Disclosure coming into force and the requirements relating to the filing and delivery of interim financial statements and the filing and delivery of an AIF, Annual MD&A and Interim MD&A contained in National Instrument 81-106, becoming applicable to the Filer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am, ss. 77, 79 and 80(b)(iii).

Applicable Ontario Rules

OSC Rule 51-501 – AIF and MD&A, (2000) 23 OSCB 8365, as am., ss. 1.2(2), 2.1(1), 3.1, 4.1(1), 4.3 and 5.1.

April 26, 2005

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

AND

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

AND

IN THE MATTER OF
MAVRIX RESOURCE FUND 2004 – II LIMITED
PARTNERSHIP (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**"):

1. that the requirements contained in the Legislation that the Filer file with the Decision Makers and send to its securityholders (the "**Limited Partners**") its interim financial statements for each

of the first and third quarters of each of the Filer's fiscal years (the "**First and Third Quarter Interim Financials**") shall not apply to the Filer; and

2. in Ontario only, a decision pursuant to the securities legislation of Ontario that the requirements to file and send to the Limited Partners:

   (a) an annual information form (an "**AIF**");

   (b) annual management's discussion and analysis of the financial condition and results of operation of the Filer ("**Annual MD&A**"); and

   (c) interim management's discussion and analysis of the financial condition and results of operation of the Filer ("**Interim MD&A**"),

   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 limited partnership formed pursuant to the *Limited Partnership Act* (Ontario) on August 19, 2004.

2. The principal place of business and registered office of the Filer is located at Suite 400, 36 Lombard Street, Toronto, Ontario M5C 2X3.

3. Mavrix Resource Fund 2004 – II Management Limited is the general partner (the "**General Partner**") of the Filer, and is responsible for the management of the Filer in accordance with the terms and conditions of an amended and restated limited partnership agreement dated September 17, 2004 (the "**Partnership Agreement**").

4. The Filer was formed for the purpose of raising funds to invest in flow-through shares ("**Flow-Through Shares**") of Canadian resource issuers engaged primarily in oil and gas and mineral exploration in Canada ("**Resource Issuers**") pursuant to flow-through agreements ("**Flow-Through Agreements**") between the Filer and the relevant Resource Issuer.

5. Under the terms of each Flow-Through Agreement, the Filer subscribes for Flow-Through Shares of the Resource Issuer and the Resource Issuer agrees to incur and renounce to the Filer, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which are qualified Canadian Exploration Expenses (as such term is defined in the *Income Tax Act* (Canada)).

6. On September 20, 2004, the Decision Makers together with the securities regulatory authority or regulator for Quebec, Manitoba and the Yukon (in which jurisdictions the relief sought in this Application is not required), issued a final receipt under the Mutual Reliance Review System for the final prospectus of the Filer dated September 17, 2004 (the "**Prospectus**") relating to a maximum offering of up to 5,000,000 units of the Filer (the "**Units**"). The Filer issued a total of 2,319,827 Units pursuant to three closings, the last of which occurred on November 16, 2004, of its initial public offering.

7. The purchasers of the Units are the Limited Partners of the Filer.

8. The Prospectus contained disclosure that the Filer intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Filer in respect of the first and third quarters of each fiscal year of the Filer.

9. The Units are not and will not be listed or quoted for trading on any stock exchange or market.

10. On or about June 30, 2006, the Filer will be liquidated and the Limited Partners will receive their *pro rata* share of the net assets of the Filer, unless the Filer completes a rollover transaction before that time. It is the current intention of the General Partner prior to such time that the Filer exchange its assets for securities of a mutual fund corporation and distribute such securities to the Limited Partners on a *pro rata* basis.

11. Since its formation on August 19, 2004, the Filer's activities primarily included or will include (i) collecting the subscriptions from the Limited Partners, (ii) investing the available funds in Flow-Through Shares of Resource Issuers, and (iii) incurring expenses to maintain the fund.

12. Unless a material change takes place in the business and affairs of the Filer, the Limited Partners will obtain adequate financial information

concerning the Filer from the semi-annual financial statements and the annual report containing audited financial statements of the Filer together with the auditors' report thereon distributed to the Limited Partners. The Prospectus and the semi-annual financial statements provide sufficient background materials and the explanations necessary for a Limited Partner to understand the Filer's business, its financial position and its future plans, including dissolution or completion of a rollover transaction.

13. In light of the limited range of business activities carried on by the Filer and in light of the fact that the Filer intends to dissolve on or about June 30, 2006, or effect a rollover transaction sooner than that, the provision by the Filer of the First and Third Quarter Interim Financials, the AIF, the Annual MD&A and the Interim MD&A will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Filer.

14. It is disclosed in the Prospectus that the General Partner would apply on behalf of the Filer for relief from the requirements to prepare and deliver interim financial statements for the first and third quarters of each financial year of the Filer.

15. Each of the Limited Partners has, by subscribing for the Units offered by the Filer in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in the Partnership Agreement filed with the Prospectus and has thereby, in effect, consented to the making of this application for the exemption requested herein.

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 requirements contained in the Legislation to file and send to the Limited Partners its First & Third Quarter Interim Financials shall not apply to the Filer provided that this exemption shall terminate upon:

(i) the occurrence of a material change in the affairs of the Filer unless the Filer satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing; or

(ii) National Instrument 81-106 - ***Investment Fund Continuous Disclosure*** coming into force and the requirements relating to the filing and delivery of interim financial statements contained in National Instrument 81-106 becoming applicable to the Filer.

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

The further decision of the securities regulatory authority or securities regulator in Ontario is that the requirements contained in the legislation of Ontario to file and send to its Limited Partners an AIF, Annual MD&A and Interim MD&A shall not apply to the Filer provided that these exemptions shall terminate upon:

(i) the occurrence of a material change in the affairs of the Filer unless the Filer satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing; or

(ii) National Instrument 81-106 - ***Investment Fund Continuous Disclosure*** coming into force and the requirements relating to the filing and delivery of an AIF, Annual MD&A and Interim MD&A contained in National Instrument 81-106 becoming applicable to the Filer.

"Leslie Byberg"
Manager, Investment Funds Branch

2.2 Orders

2.2.1 Provigo Inc. and Loblaws Companies Limited - s. 4.5 of MI 52-109

Headnote

Relief from the requirements to file annual certificates and interim certificates under Multilateral Instrument 52-109 granted to a wholly-owned subsidiary of a reporting issuer parent – Subsidiary has issued debentures that are fully and unconditionally guaranteed by the parent – Subsidiary is not required to file financial statements, MD&A or AIF - Relief granted subject to conditions, including the parent filing certain continuous disclosure documents on the subsidiary's SEDAR profile.

Instruments Cited

National Instrument 51-102 Continuous Disclosure Obligations
Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings

April 19, 2005

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

AND

IN THE MATTER OF
PROVIGO INC.

AND

LOBLAW COMPANIES LIMITED

EXEMPTION ORDER
(Section 4.5 of Multilateral Instrument 52-109
Certification of Disclosure
in Issuers' Annual and Interim Filings)

UPON the Director having received an application (the "Application") from Provigo Inc. ("Provigo") and Loblaw Companies Limited ("Loblaw") for an order pursuant to section 4.5 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109") that the requirements to file annual certificates ("Annual Certificates") in accordance with section 2.1 of MI 52-109 and interim certificates ("Interim Certificates") in accordance with section 3.1 of MI 52-109 (collectively, the "Certification Filing Requirements") shall not apply to Provigo;

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

AND UPON Loblaw and Provigo having represented to the Director as follows:

1. Provigo was continued on June 1, 1982 under the *Companies Act* (Québec). Its head office is located at 400 Avenue Ste. Croix, St. Laurent, Québec H4N 3L4. Provigo is engaged, through its subsidiaries, in food retailing in the Province of Québec.

2. Provigo is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. Provigo has issued 147,878,277 common shares (the "Common Shares"), 100% of which are held, directly or indirectly, by Loblaw.

3. Provigo is a reporting issuer in the provinces of Ontario, Québec and British Columbia and is currently a "venture issuer" within the meaning of National Instrument 51-102 — *Continuous Disclosure Obligations* ("NI 51-102").

4. Provigo currently has outstanding $125,000,000 aggregate principal amount of 8.70% Debenture Series 1996 due May 23, 2006 (the "Debentures").

5. Loblaw has fully and unconditionally guaranteed the Debentures pursuant to an Agreement of Guarantee between Loblaw and CIBC Mellon Trust Company, the trustee for the Debentures, dated September 22, 1999.

6. The Common Shares and the Debentures are the only outstanding securities of Provigo.

7. Provigo and Loblaw do not intend for Provigo to issue any securities to the public in addition to the Debentures.

8. Loblaw was incorporated on January 18, 1956 and continued under the *Canada Business Corporations Act* by certificate of continuance dated May 7, 1980. Its principal executive office is located at 22 St. Clair Avenue East, Suite 1500, Toronto, Ontario, M4T 2S8. Loblaw, through its subsidiaries, is engaged in food retailing across Canada.

9. Loblaw's common shares are listed and posted for trading on the Toronto Stock Exchange.

10. Loblaw is a reporting issuer in all the provinces and territories of Canada and is not, to its knowledge, in default of its reporting issuer obligations under the securities legislation of any of these jurisdictions.

11. Pursuant to an order of the Commission dated September 22, 1999 (the "Previous Order"), Provigo is exempt from the requirements of (i) subsection 77(1) of the Act to prepare and file with the Commission unaudited interim financial statements, (ii) section 78 of the Act to prepare and file with the Commission its audited annual financial statements, and (iii) subsection 81(2) of

the Act and section 5 of the Regulation with respect to the annual filing of Form 28, subject to certain conditions.

12. On December 23, 1999, staff of the Commission issued a "no-action" letter (the "No-Action Letter" and, together with the Previous Order, the "Existing Exemptions") to Provigo which stated that so long as Loblaw continues to hold, directly or indirectly, all of the common shares of Provigo, they would not initiate any regulatory action by reason of Provigo not filing an annual information form ("AIF") or management's discussion and analysis ("MD&A").

13. Provigo delivered a notice dated July 12, 2004 to the Commission under subsection 13.2(2) of NI 51-102 stating that it intends to rely on the Previous Order and the No-Action Letter to the same extent and on the same conditions as contained therein.

14. Since the respective dates of issuance of the Previous Order and the No-Action Letter, there have been no material changes to the representations of either Provigo or Loblaw made with respect to Previous Order or the No-Action Letter, as applicable.

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

16. As Provigo is exempt from the requirements to file interim and annual financial statements pursuant to NI 51-102, and is not required to file interim or annual MD&A or an AIF, it would not be meaningful or relevant for Provigo to file its own Annual Certificates and Interim Certificates.

17. As Provigo is a consolidated subsidiary of Loblaw, its financial condition, results of operations and cash flows are fully reflected in Loblaw's Annual Filings and Interim Filings. Loblaw will continue to comply with the continuous disclosure requirements under NI 51-102 and the Certification Filing Requirements.

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

THE DECISION of the Director, pursuant to section 4.5 of MI 52-109, is that the Certification Filing Requirements shall not apply to Provigo provided that:

(a) Provigo is not required to, and does not, file its own Interim Filings and Annual Filings;

(b) Loblaw files, in electronic format under Provigo's SEDAR profile, the following documents at the same time as such documents are required to be filed by Loblaw under its own SEDAR profile:

(i) Annual Filings of Loblaw;

(ii) Interim Filings of Loblaw;

(iii) Annual Certificates of Loblaw;

(iv) Interim Certificates of Loblaw; and

(c) Provigo qualifies for the relief contemplated by, and is in compliance with, the requirements and conditions set out in the Existing Exemptions.

"Erez Blumberger"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2.2 City of London Investment Management Company Limited - s. 218 of the Regulation

Headnote

Application to the Commission for an order, pursuant to section 218 of Regulation 1015 of the Securities Act (Ontario), that the requirement in section 213 of the Regulation, which provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada, shall not apply for three years to City of London Investment Management Company Limited. The order sets out the terms and conditions applicable to a non-resident limited market dealer.

Applicable Statutes

Ontario Regulation 1015, R.R.O. 1990, sec. 213, 218.

October 19, 2004

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

AND

IN THE MATTER OF
R.R.O. 1990, REGULATION 1015,
AS AMENDED
(the Regulation)

AND

IN THE MATTER OF
CITY OF LONDON INVESTMENT MANAGEMENT COMPANY LIMITED

ORDER
(Section 218 of the Regulation)

UPON the application (the **Application**) from City of London Investment Management Company Limited (the **Applicant**) to the Ontario Securities Commission (the "**Commission**") for an order pursuant to section 218 of the Regulation that the requirement in section 213 of the Regulation, which provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada, shall not apply to the Applicant;

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

AND UPON the Applicant having represented to the Commission that:

1. the Applicant is a corporation incorporated under the laws of England & Wales. The head office of the Applicant and its primary operations are located in London, England;

2. the Applicant provides investment management and investment advisory services to its clients and is regulated by the Financial Services Authority (the **FSA**) in the United Kingdom;

3. the Applicant is also registered as an adviser in the United States with the Securities and Exchange Commission, as an international adviser in Ontario with the Commission, and as a foreign adviser in Alberta with the Alberta Securities Commission;

4. the Applicant effectively operates out of London, England and does not have any personnel or offices in Canada;

5. the Applicant wants to be able to sell securities on an exempt basis to investors in Ontario as a non-resident limited market dealer pursuant to the registration and prospectus exemptions contained in the Act and Ontario Securities Commission Rule 45-501 - Exempt Distributions;

AND UPON the Commission being satisfied that to make this order would not be prejudicial to the public interest;

IT IS ORDERED THAT, pursuant to section 218 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of limited market dealer, the Applicant is exempt from the provisions of section 213 of the Regulation requiring that the Applicant be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada, for a period of three years, provided that:

(a) the Applicant appoints an agent for service of process in Ontario;

(b) the Applicant shall provide to each client that it acts for as a non-resident limited market dealer in Ontario a statement in writing disclosing the non-resident status of the Applicant, the Applicant's jurisdiction of residence, the name and address of the agent for service of process of the Applicant in Ontario, and the nature of risks to clients that legal rights may not be enforceable;

(c) the Applicant will not change its agent for service of process in Ontario without giving the Commission 30 days' prior notice of such change by filing a new Submission to Jurisdiction and Appointment of Agent for Service of Process;

(d) the Applicant and each of its registered salespersons, officers, and directors irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial, and administrative tribunals of Ontario and any administrative proceedings in Ontario, in any proceedings arising out of or related to or concerning its registration as a non-resident limited market dealer under the Act or its activities in Ontario as such a registrant;

(e) the Applicant, in its capacity as a non-resident limited market dealer in Ontario, will not have custody of, or maintain customer accounts in relation to, securities, funds, and other assets of its clients resident in Ontario;

(f) the Applicant will inform the Director immediately upon the Applicant: (i) ceasing to be regulated by the FSA in the United Kingdom; (ii) becoming aware of its registration in any other jurisdiction not being renewed or being suspended or revoked; or (iii) becoming aware that it is the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority (or of similar issues with its salespersons, officers, or directors that are registered in Ontario);

(g) the Applicant will pay the increased compliance and case assessment costs of the Commission due to the Applicant's location outside Ontario, including the cost of hiring a third party to perform a compliance review on behalf of the Commission;

(h) the Applicant will make its books and records outside Ontario, including electronic records, readily accessible in Ontario, and will produce physical records for the Commission within a reasonable time if requested. If the laws of the jurisdiction in which the Applicant's books and records are located prohibit production of the books and records in Ontario without the consent of the relevant client, the Applicant shall, upon a request by the Commission: (a) so advise the Commission; and (b) use its best efforts to obtain the client's consent to the production of such books and records;

(i) the Applicant will have available a person, possibly a third party, to assist the Commission in compliance and enforcement matters;

(j) the Applicant and each of its registered salespersons, officers, and directors will comply, at the Applicant's expense, with requests under the Commission's investigation powers and orders under the Act in relation to the Applicant's dealings with Ontario clients as a non-resident limited market dealer, including producing documents and witnesses in Ontario, submitting to audit or search and seizure process or consenting to an asset freeze, to the extent such powers would be enforceable against the Applicant if the Applicant were resident in Ontario. If the laws of the Applicant's jurisdiction of residence that are otherwise applicable to the giving of evidence or the production of documents prohibit the Applicant or the witnesses from giving the evidence without the consent or leave of the relevant client and any third party, including a court of competent jurisdiction, the Applicant shall: (a) so advise the Commission; and (b) use its best efforts to obtain such client's or third party's consent to the giving of such evidence; and

(k) the Applicant will maintain appropriate registration or self regulatory organization membership, if and where applicable, in its jurisdiction of residence.

"Robert L. Shirriff" "Paul M. Moore"

2.2.3 Merrill Lynch, Pierce, Fenner & Smith Incorporated - s. 7.1 of MI 33-109

Headnote

Application for relief from (1) the requirements relating to segregation of funds and securities in section 116, 117 and 118 of the Ontario Regulation, and (2) the requirement in subsection 2.1(c) and section 3.3 of Multilateral Instrument 33-109 - Registration Information that the applicant submit a completed Form 33-109F4 - Registration Information for an Individual for all of its officers and directors.

Order 1 was granted on March 29, 2005 pursuant to section 147 of the Securities Act and relieved the applicant from the segregation requirements. A previous order had granted permission to act as custodian for its Ontario clients; however a subsequent order granting non-resident limited market dealer status to the applicant required compliance with the Regulation, including sections 116, 117 and 118. Relief was granted on the basis that compliance with U.S. S.E.C. requirements and certain additional safeguards may be considered equivalent to requirements of the Regulation.

Order 2 was granted on April 15, 2005 pursuant to section 7.1 of MI 33-109 and relieved the applicant from the Form 33-109 requirements in respect of certain of its nominal officers. The exempted officers are without significant authority over any part of the applicant's operations and have no connection with its Ontario operation. The applicant is still required to submit 33-109 F4's on behalf of its directing minds, who are the directors and certain "Executive Officers."

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 147.

Regulations Cited

Regulation made under the Securities Act, R.R.O., Reg. 1015, as am., ss. 116, 117, 118.

Rules Cited

Multilateral Instrument 33-109 - Registration Information.

Notices Cited

Ontario Securities Commission Notice 35-701 – Residency Requirements for Advisers and their Partners and Officers.

April 15, 2005

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

AND

IN THE MATTER OF
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

ORDER
(Section 7.1 of Multilateral Instrument 33-109)

UPON the application (the **Application**) of Merrill Lynch, Pierce, Fenner & Smith Incorporated (the **Applicant**) pursuant to section 7.1 of Multilateral Instrument 33-109 (**MI 33-109**) for an exemption from the requirement in subsection 2.1(c) and section 3.3 of MI 33-109 that the Applicant submit a completed Form 33-109F4 for all Non-Registered Individuals of Applicant;

AND UPON considering the Application;

AND UPON the Applicant having represented to the Director that:

1. The Applicant is a corporation formed under the laws of the State of Delaware and is a wholly owned subsidiary of Merrill Lynch & Co., Inc. The head office of the Applicant is located in New York, New York.

2. The Applicant is currently registered under the *Securities Act* (Ontario) (the **Act**) as a dealer in the category of International Dealer and an adviser in the category of International Adviser.

3. The Applicant has applied for registration as a Non-Canadian Adviser (investment counsel and portfolio manager) and as a non-resident Limited Market Dealer (the **Proposed Registration Applications**).

4. Less than 1% of the aggregate consolidated gross revenues from advisory activities of the Applicant and its affiliates in any one financial year would be expected to arise from their acting as advisers or dealers for clients in Ontario.

5. The Applicant provides investment, financing, and related services to individuals and institutions on a global basis. The Applicant has approximately 14,000 Financial Advisors, and approximately 13,800 officers, of whom five are also directors.

6. All individuals who intend to trade in securities and/or act as advisers in Ontario on behalf of the Applicant (**Registerable Activity**) will first seek to become **Registered Individuals** in accordance with the registration requirement under section 25(1) of the Act and the requirements of MI 31-

102 - *National Registration Database* by submitting a Form 33-109F4 completed with all the information required for a Registered Individual. It is currently anticipated that approximately 25 officers of the Applicant will seek to become Registered Individuals.

7. The Applicant's remaining over 13,000 directors and officers will be **Non-Registered Individuals**, as defined in MI 33-109. There are currently no individuals who are not directors or officers of the Applicant who would be included in the definition of Non-Registered Individual by reason of an ownership interest in the Applicant or other criteria set out in MI 33-109. Of the Applicant's Non-Registered Individuals, over 13,000 would not reasonably be considered to be directors or officers of the Applicant from a functional point of view. These individuals (the **Nominal Officers**) have the title "vice president" or a similar title but are not in charge of a principal business unit, division or function of the Applicant and, in any event, will not be involved in or have oversight of the Applicant's advisory and/or dealer activities in Ontario. For purposes of reporting to securities regulatory authorities in its home jurisdiction of the United States, the Applicant considers only the holders of its most senior executive positions to be officers (the **Executive Officers**). There are currently eight Executive Officers, five of whom are the only directors of the Applicant.

8. The Applicant seeks relief from the requirement to submit Form 33-109F4s for the Nominal Officers. The Applicant proposes to submit Form 33-109F4s on behalf of each of its directors and the Executive Officers completed with all the information required for a Non-Registered Individual. The Applicant also proposes to submit a Form 33-109F4 for the designated compliance officer under the Applicant's proposed Non-Resident Limited Market Dealer registration and the Chief Compliance Officer and the Ultimately Responsible Person under the Applicant's proposed Non-Canadian Adviser registration (each, a **Compliance Officer** position). At present, it is intended that one of the Executive Officers will act in all of the Compliance Officer positions.

9. In the absence of the requested exemption, subsection 2.1(c) of MI 33-109 would require that in conjunction with the Proposed Registration Applications, the Applicant submit a completed Form 33-109F4 for each of its more than 13,000 Nominal Officers, rather than limiting this filing requirement to the much smaller number of directors, Executive Officers and Compliance Officer(s). In addition, section 3.3 of MI 33-109 would require that the Applicant submit a completed Form 33-109F4 for any new Nominal Officers, if the requested exemption is not granted. The information contained in the filed Form 33-109F4s would also need to be monitored on a constant basis to ensure that notices of change were submitted in accordance with the requirements of section 5.1 of MI 33-109.

10. Given the relatively small scope of the Applicant's proposed activities in Ontario and the large number of Nominal Officers, none of whom will have any involvement in the Applicant's Ontario activities, the preparation and filing of Form 33-109F4s on behalf of each Nominal Officer would achieve no regulatory purpose, while imposing an unwarranted administrative and compliance burden on the Applicant that would effectively preclude the Applicant from undertaking the Proposed Registration Applications.

AND WHEREAS the Director is satisfied that it would not be prejudicial to the public interest to make the requested Order on the basis of the terms and conditions proposed;

IT IS ORDERED, pursuant to section 7.1 of MI 33-109, that the Applicant is exempt from the requirement in subsection 2.1(c) of MI 33-109 and section 3.3 of MI 33-109 to submit a completed Form 33-109F4 for those of its Non-Registered Individuals who are Nominal Officers provided that the Nominal Officers shall at no time include any Executive Officer or Compliance Officer or other officer who will be involved in or have oversight of the Applicant's advisory and/or dealer activities in Ontario in any capacity.

"David M. Gilkes"

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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
International Utility Structures Inc.	13 Apr 05	25 Apr 05	25 Apr 05	
Mediterranean Minerals Corp.	21 Apr 05	03 May 05		

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		
Golden Queen Mining Co. Ltd.	12 Apr 05	25 Apr 05		22 Apr 05	
Guyanor Ressources S.	12 Apr 05	25 Apr 05	25 Apr 05		
Hollinger Canadian Newspapers, Limited Partnership	21 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		
Kinross Gold Corporation	01 Apr 05	14 Apr 05	14 Apr 05		
Mamma.com Inc.	01 Apr 05	14 Apr 05	14 Apr 05		
Nortel Networks Corporation	17 May 04	31 May 04	31 May 04		
Nortel Networks Limited	17 May 04	31 May 04	31 May 04		
Thistle Mining Inc.	05 Apr 05	18 Apr 05	18 Apr 05		
Timminco Limited	01 Apr 05	14 Apr 05	14 Apr 05		

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Chapter 5

Rules and Policies

5.1.1 National Instrument 55-101 and Companion Policy 55-101CP

NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 DEFINITIONS

1.1 Definitions - In this Instrument

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

(a) the total number of securities of the same type acquired under an automatic securities purchase plan, or under all such plans, for the calendar year, and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities under an automatic securities purchase plan, or under all such plans, for the calendar year;

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

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

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

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

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

"ineligible insider" in relation to a reporting issuer means

(a) an individual performing the functions of the chief executive officer, the chief operating officer or the chief financial officer for the reporting issuer;

(b) a director of the reporting issuer;

(c) a director of a major subsidiary of the reporting issuer;

(d) a senior officer in charge of a principal business unit, division or function of i) the reporting issuer or ii) a major subsidiary of the reporting issuer;

(e) other than in Québec, a person that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of, and control or direction over, securities of the reporting issuer carrying more than 10 percent of the voting rights attached to all the reporting issuer's outstanding voting securities; or

(f) in Québec, a person who exercises control over more than 10 percent of a class of shares of the reporting issuer to which are attached voting rights or an unlimited right to a share of the profits of the reporting issuer and in its assets in case of winding-up;

"insider issuer" in relation to a reporting issuer means an issuer that is an insider of the reporting issuer;

"investment issuer" in relation to an issuer means a reporting issuer in respect of which the issuer is an insider;

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

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

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

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

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

"normal course issuer bid" means

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

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

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

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

PART 2 EXEMPTIONS FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

2.1 Reporting Exemption (Certain Directors) – Subject to section 4.1, the insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

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

(b) is not an ineligible insider in relation to the reporting issuer.

2.2 Reporting Exemption (Certain Senior Officers) - Subject to section 4.1, the insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of the reporting issuer if the senior officer

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

(b) is not an ineligible insider in relation to the reporting issuer.

2.3 Reporting Exemption (Certain Insiders of Investment Issuers) - Subject to section 4.1, the insider reporting requirement does not apply to a director or senior officer of an insider issuer, or a director or senior officer of a subsidiary of the insider issuer, in respect of securities of an investment issuer if the director or senior officer

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

(b) is not an ineligible insider in relation to the investment issuer.

PART 3 EXEMPTION FOR DIRECTORS AND SENIOR OFFICERS OF AFFILIATES OF INSIDERS OF A REPORTING ISSUER

3.1 Québec - This Part does not apply in Québec.

3.2 Reporting Exemption - Subject to section 3.3 and 4.1, the insider reporting requirement does not apply to a director or senior officer of an affiliate of an insider of a reporting issuer in respect of securities of the reporting issuer.

3.3 Limitation - The exemption in section 3.2 is not available if the director or senior officer

(a) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is an ineligible insider in relation to the reporting issuer; or

(c) is a director or senior officer of an issuer that supplies goods or services to the reporting issuer or to a subsidiary of the reporting issuer or has contractual arrangements with the reporting issuer or a subsidiary of the reporting issuer, and the nature and scale of the supply or the contractual arrangements could reasonably be expected to have a significant effect on the market price or value of the securities of the reporting issuer.

PART 4 INSIDER LISTS AND POLICIES

4.1 Insider Lists and Policies - An insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if

(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and

(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and will, as part of such policies and procedures, maintain:

(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and

(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.

4.2 Alternative to Lists - Despite section 4.1, an insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if

(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and

(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer has filed an undertaking with the regulator or securities regulatory authority that the reporting issuer will, promptly upon request, make available to the regulator or securities regulatory authority

(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and

(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.

PART 5 REPORTING OF ACQUISITIONS UNDER AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Reporting Exemption - Subject to sections 5.2 and 5.3, the insider reporting requirement does not apply to a director or senior officer of a reporting issuer or of a subsidiary of the reporting issuer for

(a) the acquisition of securities of the reporting issuer under an automatic securities purchase plan, other than the acquisition of securities under a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan.

5.2 Limitation

(1) Other than in Québec, the exemption in section 5.1 is not available to an insider described in clause (e) of the definition of "ineligible insider".

(2) In Québec, the exemption in section 5.1 is not available to an insider described in clause (f) of the definition of "ineligible insider".

5.3 Alternative Reporting Requirement

(1) An insider who relies on the exemption from the insider reporting requirement contained in section 5.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider, and each specified disposition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider,

(a) for any securities acquired under the automatic securities purchase plan that have been disposed of or transferred, other than securities that have been disposed of or transferred as part of a specified disposition of securities, within the time required by securities legislation for filing a report disclosing the disposition or transfer; and

(b) for any securities acquired under the automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a specified disposition of securities, within 90 days of the end of the calendar year.

(2) An insider is exempt from the requirement under subsection (1) if, at the time the report is due,

(a) the insider has ceased to be an insider; or

(b) the insider is entitled to an exemption from the insider reporting requirements under an exemptive relief order or under an exemption contained in Canadian securities legislation.

5.4 Specified Disposition of Securities - A disposition or transfer of securities acquired under an automatic securities purchase plan is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or senior officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or senior officer has not communicated an election to the reporting issuer or the plan administrator and, in accordance with the terms of the plan, the reporting issuer or the plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

PART 6 REPORTING FOR NORMAL COURSE ISSUER BIDS

6.1 Reporting Exemption - The insider reporting requirement does not apply to an issuer for acquisitions of securities of its own issue by the issuer under a normal course issuer bid.

6.2 **Reporting Requirement** - An issuer who relies on the exemption from the insider reporting requirement contained in section 6.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

PART 7 REPORTING FOR CERTAIN ISSUER EVENTS

7.1 **Reporting Exemption** - The insider reporting requirement does not apply to an insider of a reporting issuer whose direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer changes as a result of an issuer event of the issuer.

7.2 **Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 7.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing all changes in direct or indirect beneficial ownership of, or control or direction over, securities by the insider for securities of the reporting issuer pursuant to an issuer event that have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer.

PART 8 EFFECTIVE DATE

8.1 **Effective Date** - This National Instrument comes into force on April 30, 2005.

COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 PURPOSE

1.1 Purpose - The purpose of this Companion Policy is to set out the views of the Canadian Securities Administrators (the CSA or we) on various matters relating to National Instrument 55-101 *Insider Reporting Exemptions* (the Instrument).

PART 2 SCOPE OF EXEMPTIONS

2.1 Scope of Exemptions - The exemptions under the Instrument are only exemptions from the insider reporting requirement and are not exemptions from the provisions in Canadian securities legislation imposing liability for improper insider trading.

PART 3 EXEMPTION FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

3.1 Exemption for Certain Directors

Section 2.1 of the Instrument contains an exemption from the insider reporting requirement for a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

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

(b) is not an ineligible insider.

The exemption in section 2.1 is available for a director of a subsidiary of a reporting issuer but is not available for a director of a reporting issuer or for an insider who otherwise comes within the definition of “ineligible insider”. This is because such insiders, by virtue of their positions, are presumed to routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed.

The definition of “ineligible insider” includes an insider who is a director of a “major subsidiary” of the reporting issuer. In view of the significance of a major subsidiary of a reporting issuer to the reporting issuer, we believe that it is appropriate to treat directors of such subsidiaries in an analogous manner to directors of the reporting issuer. Accordingly, directors of major subsidiaries are included in the definition of “ineligible insider”.

In the case of directors of subsidiaries of a reporting issuer that are not major subsidiaries of the reporting issuer, although such individuals, by virtue of being directors of the subsidiary, routinely have access to material undisclosed information about the subsidiary, such information generally will not constitute material undisclosed information about the reporting issuer since the subsidiary is not a major subsidiary of the reporting issuer.

3.2 Exemption for Certain Senior Officers

(1) Section 2.2 of the Instrument contains an exemption from the insider reporting requirements for a senior officer of a reporting issuer or a subsidiary of a reporting issuer if the senior officer

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

(b) is not an ineligible insider.

(2) The exemption contained in section 2.2 of the Instrument is available to senior officers of a reporting issuer as well as to senior officers of any subsidiary of the reporting issuer, regardless of size, so long as such individuals meet the criteria contained in the exemption. Accordingly the scope of the exemption is somewhat broader than the scope of the exemption contained in section 2.1 for directors of subsidiaries that are not major subsidiaries.

In the case of individuals who are “senior officers”, we accept that many such individuals do not routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. For example, the term “senior officer” generally

includes an individual who holds the title of "vice-president". We recognize that, in recent years, it has become industry practice, particularly in the financial services sector, for issuers to grant the title of "vice-president" to certain employees primarily for marketing purposes. In many cases, the title of "vice-president" does not denote a senior officer function, and such individuals do not routinely have access to material undisclosed information prior to general disclosure. Accordingly, we accept that it is not necessary to require all persons who hold the title of "vice-presidents" to file insider reports.

3.3 Exemption for Certain Insiders of Investment Issuers

Section 2.3 of the Instrument contains an exemption for a director or senior officer of an "insider issuer" who meets certain criteria in relation to trades in securities of an "investment issuer". The criteria are as follows:

- the director or senior officer of the insider issuer does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

- the director or senior officer is not otherwise an "ineligible insider" of the investment issuer.

The reference to "material facts or material changes concerning the investment issuer" in the exemption is intended to include information that originates at the insider issuer level but which concerns or is otherwise relevant to the investment issuer. For example, in the case of an issuer that has a subsidiary investment issuer, a decision at the parent issuer level that the subsidiary investment issuer will commence or discontinue a line of business would generally represent a "material fact or material change concerning the investment issuer". Similarly, a decision at the parent issuer level that the parent issuer will seek to sell its holding in the subsidiary investment issuer would also generally represent a "material fact or material change concerning the investment issuer." Accordingly, a director or senior officer of the parent issuer who routinely had access to such information concerning the investment issuer would not be entitled to rely on the exemption for trades in securities of the investment issuer.

PART 4 INSIDER LISTS AND POLICIES

(1) Section 4.1 of the Instrument describes certain steps that must be taken before an insider of a reporting issuer may rely on an exemption in Part 2 or Part 3 of the Instrument. Section 4.1 requires

(a) the insider to have advised the reporting issuer that the insider intends to rely on the exemption, and

(b) the reporting issuer to have advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer will, as part of such policies and procedures, maintain:

(i) a list of insiders of the reporting issuer exempted from the insider reporting requirement by a provision of the Instrument, and

(ii) a list of insiders of the reporting issuer not exempted by a provision of the Instrument.

An insider is not required to advise the reporting issuer each time the insider intends to rely on an exemption from the insider reporting requirement. An insider may advise the reporting issuer that the insider intends to rely on a specified exemption from the insider reporting requirement for present and future transactions for so long as the insider otherwise remains entitled to rely on the exemption.

If an insider has previously advised the reporting issuer that the insider intends to rely on an exemption that is substantially similar to an exemption contained in the Instrument, such as an exemption contained in the previous version of the Instrument or an exemption contained in an exemptive relief order, we would consider that this previous notification constitutes notification for the purposes of the condition in section 4.1 of the Instrument. Accordingly, it would not be necessary for an insider in these circumstances to again notify the reporting issuer after the Instrument comes into force.

If a reporting issuer advises an insider that the reporting issuer will maintain the lists described in section 4.1, but the reporting issuer subsequently fails to do so, we would accept that continued reliance by the insider on the exemptions would be reasonable so long as the insider did not know and could not reasonably be expected to know that the reporting issuer had failed to maintain the necessary lists.

(2) As an alternative to maintaining the lists described in subparagraphs 4.1(b) (i) and (ii) of the Instrument, a reporting issuer may file an undertaking with the regulator or securities regulatory authority instead. The undertaking requires the reporting issuer to make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in subparagraphs 4.1(b) (i) and (ii) as at the time of the request.

The principal rationale behind the requirement to maintain a list of exempt insiders and a list of non-exempt insiders is to allow for an independent means to verify whether individuals who are relying on an exemption are in fact entitled to rely on the exemption. If a reporting issuer determines that it is not necessary to maintain such lists as part of its own policies and procedures relating to insider trading, and is able to prepare and make available such lists promptly upon request, the rationale behind the list requirement would be satisfied.

(3) Sections 4.1 and 4.2 of the Instrument require (as a condition to the availability of the exemptions in Parts 2 and 3) that a reporting issuer establish and maintain certain policies and procedures relating to insider trading. The Instrument does not prescribe the content of such policies and procedures. It merely requires that such policies and procedures exist and that the issuer maintain the lists described in subparagraphs 4.1(b)(i) and (ii) or file an undertaking in relation to such lists.

The CSA have articulated in National Policy 51-201 *Disclosure Standards* detailed best practices for issuers for disclosure and information containment and have provided a thorough interpretation of insider trading laws. The CSA recommend that issuers adopt written disclosure policies to assist directors, officers and employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading on inside information. The CSA best practices offer guidance on broad issues including disclosure of material changes, timely disclosure, selective disclosure, materiality, maintenance of confidentiality, rumours and the role of analysts' reports. In addition, guidance is offered on such specifics as responsibility for electronic communications, forward-looking information, news releases, use of the Internet and conference calls. We believe that adopting the CSA best practices as a standard for issuers would assist issuers to ensure that they take all reasonable steps to contain inside information.

The disclosure standards described in National Policy 51-201 *Disclosure Standards* represent best practices recommended by the CSA. An issuer's policies and procedures need not be consistent with National Policy 51-201 in order for the exemptions in Parts 2 and 3 of the Instrument to be available.

PART 5 AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Automatic Securities Purchase Plans

(1) Section 5.1 of the Instrument provides an exemption from the insider reporting requirement for acquisitions by a director or senior officer of a reporting issuer or of a subsidiary of a reporting issuer of securities of the reporting issuer pursuant to an automatic securities purchase plan (an ASPP).

(2) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan, a lump-sum provision of a share purchase plan, or a similar provision under a stock option plan.

(3) If a plan participant acquires securities under an ASPP and wishes to report the acquisitions on a deferred basis in reliance on the exemption in section 5.1 of the Instrument, the plan participant is required to file an alternative form of report(s) as follows:

(a) in the case of acquisitions of securities that are not disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing all such acquisitions annually no later than 90 days after the end of the calendar year; and

(b) in the case of acquisitions of securities that are disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing the acquisition and disposition within the normal time frame for filing insider reports, as contemplated by clause 5.3(1)(a) of the Instrument.

5.2 Specified Dispositions of Securities

(1) A disposition or transfer of securities acquired under an ASPP is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the ASPP and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the ASPP and the requirements contained in clauses 5.4(b)(i) or (ii) are satisfied.

(2) In the case of dispositions or transfers described in subsection 5.4(a) of the Instrument, namely a disposition or transfer that is incidental to the operation of the ASPP and that does not involve a discrete investment decision by the director or senior officer, we believe that such dispositions or transfers do not alter the policy rationale for deferred reporting of the acquisitions of securities acquired under an ASPP since such dispositions necessarily do not involve a discrete investment decision on the part of the participant.

(3) The term "discrete investment decision" generally refers to the exercise of discretion involved in a specific decision to purchase, hold or sell a security. The purchase of a security as a result of the application of a pre-determined, mechanical formula does not represent a discrete investment decision (other than the initial decision to enter into the plan in question).

The reference to "discrete investment decision" in section 5.4 is intended to reflect a principles-based limitation on the exemption for permitted dispositions under an ASPP. Accordingly, in interpreting this term, you should consider the principles underlying the insider reporting requirement – deterring insiders from profiting from material undisclosed information and signalling insider views as to the prospects of an issuer – and the rationale for the exemptions from this requirement.

The term is best illustrated by way of example. In the case of an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is an insider, we believe that this information should be communicated to the market in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions. A reasonable investor may conclude, for example, that the decision on the part of the insider to exercise the stock options now reflects a belief on the part of the insider that the price of the underlying securities has peaked.

(4) The definition of "specified disposition of securities" contemplates, among other things, a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an ASPP in certain circumstances. Under some types of ASPPs, an issuer or plan administrator may sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. In such plans, the participant typically may elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities.

Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a "specified disposition" if it meets the criteria contained in clause 5.4(b) of the Instrument.

5.3 Reporting Requirements

(1) Subsection 5.3(1) of the Instrument requires an insider who relies on the exemption for securities acquired under an ASPP to file an alternative report for *each* acquisition of securities acquired under the plan. We recognize that, in the case of securities acquired under an ASPP, the time and effort required to report each transaction *as a separate transaction* may outweigh the benefits to the market of having this detailed information. We believe that it is acceptable for insiders to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. Accordingly, in complying with the alternative reporting requirement contained in section 5.3 of the Instrument, an insider may report the acquisitions on either a transaction-by-transaction basis or in "acceptable summary form". The term "acceptable summary form" is defined to mean a report that indicates the total number of securities of the

same type (e.g. common shares) acquired under an ASPP, or under all ASPPs, for the calendar year as a single transaction using December 31 of the relevant year as the date of the transaction, and providing an average unit price. Similarly, an insider may report all specified dispositions of securities in a calendar year in acceptable summary form.

(2) If securities acquired under an ASPP are disposed of or transferred, other than pursuant to a specified disposition of securities, and the acquisitions of these securities have not been previously disclosed in a report, the insider report should disclose, for each acquisition of securities which are disposed of or transferred, the particulars relating to the date of acquisition of such securities, the number of securities acquired and the acquisition price of such securities. The report should also disclose, for each disposition or transfer, the related particulars for each such disposition or transfer of securities. It would be prudent practice for the director or senior officer to indicate in such insider report, by way of the "Remarks" section, or otherwise, that he or she participates in an ASPP and that not all purchases under that plan have been included in the report.

(3) The annual report that an insider files for acquisitions and specified dispositions under the ASPP in accordance with clause 5.3(1)(b) of the Instrument will reconcile the acquisitions under the plan with other acquisitions or dispositions by the director or senior officer so that the report provides an accurate listing of the director's or senior officer's total holdings. As required by securities legislation, the report filed by the insider must differentiate between securities held directly and indirectly and must indicate the registered holder if securities are held indirectly. In the case of securities acquired pursuant to a plan, the registered holder is often a trustee or plan administrator.

5.4 Exemption to the Alternative Reporting Requirement

(1) If a director or senior officer relies on the ASPP exemption contained in section 5.1 of the Instrument, the director or senior officer becomes subject, as a consequence of such reliance, to the alternative reporting requirement under subsection 5.3(1) to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

(2) The principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the view that it is not necessary to ensure that the alternative report is filed. Accordingly, subsection 5.3(2) of the Instrument contains an exemption in this regard.

5.5 Design and Administration of Plans - Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an ASPP, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner which is consistent with this limitation.

PART 6 EXISTING EXEMPTIONS

6.1 Existing Exemptions - Insiders can continue to rely on orders of Canadian securities regulatory authorities, subject to their terms and unless the orders provide otherwise, which exempt certain insiders, on conditions, from all or part of the insider reporting requirement, despite implementation of the Instrument.

5.1.2 Amendments to NI 54-101 and Companion Policy 54-101CP

AMENDMENTS TO
NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER

PART ONE – AMENDMENTS

1.1(a) The definition of "legal proxy" in section 1.1 of National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer (the National Instrument) is repealed and the following substituted:

"legal proxy" means a voting power of attorney, in the form of Form 54-101F8, granted to a beneficial owner or to a person designated by the beneficial owner, by either an intermediary or a reporting issuer under a written request of the beneficial owner;

(b) The definition of "routine business" in section 1.1 of the National Instrument is repealed;

(c) Section 1.1 of the National Instrument is amended by adding the following definitions:

"special resolution" for a meeting,

(a) has the same meaning given to the term "special resolution" under corporate law, or

(b) if no such term exists under corporate law, means a resolution that is required to be passed by at least two-thirds of the votes cast;

"special meeting" means a meeting at which a special resolution is being submitted to the securityholders of a reporting issuer;

1.2(a) Paragraph 2.2(2)(h) of the National Instrument is repealed and the following substituted:

(h) whether the meeting is a special meeting.

(b) Section 2.20 of the National Instrument is amended by inserting "2.1(b)," in between the words "subsections" and "2.2(1)".

1.3(a) Paragraph 3.2(b)(iii) of the National Instrument is amended by inserting the words "if applicable," before the word "enquire" at the beginning of the paragraph.

(b) Section 3.3 of the National Instrument is repealed and the following substituted:

3.3 Transitional – Instructions from Existing Clients – An intermediary that holds securities on behalf of a client in an account that was opened before the coming into force of this Instrument

(a) may seek new instructions from its client in relation to the matters to which the client response form pertains; and

(b) in the absence of new instructions from the client, shall rely on the instructions previously given or deemed to have been given by the client under NP41 in respect of that account, on the following basis:

(i) If the client chose to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is a NOBO under this Instrument;

(ii) If the client was deemed to have permitted the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the intermediary may choose to treat the client as a NOBO under this Instrument;

(iii) If the client chose not to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is an OBO under this Instrument;

(iv) If the client chose not to receive material relating to annual or special meetings of securityholders or audited financial statements, the client is considered to have declined under this Instrument to receive:

(A) proxy-related materials that are sent in connection with a securityholder meeting;

(B) financial statements and annual reports that are not part of proxy-related materials; and

(C) materials sent to securityholders that are not required by corporate or securities law to be sent to registered securityholders;

(v) If the intermediary was permitted not to provide material relating to annual meetings of securityholders or audited financial statements, the client is considered to have declined under this Instrument to receive:

(A) proxy-related materials that are sent in connection with a securityholder meeting that is not a special meeting;

(B) financial statements and annual reports that are not part of proxy-related materials; and

(C) materials sent to securityholders that are not required by corporate or securities law to be sent to registered securityholders;

(vi) If the client chose to receive material relating to annual or special meetings of securityholders and audited financial statements, the client is considered to have chosen under this Instrument to receive all securityholder materials sent to beneficial owners of securities;

(vii) The client is considered to have chosen under this Instrument as the client's preferred language of communication the language that has been customarily used by the intermediary to communicate with the client.

1.4 Part 4 of the National Instrument is amended by adding the following section 4.8:

4.8 Fees from Persons or Companies other than Reporting Issuers
A proximate intermediary that receives securityholder materials from a person or company that is not a reporting issuer for sending to beneficial owners is not required to send the securityholder materials to any beneficial owners or intermediaries that are clients of the proximate intermediary unless the proximate intermediary receives reasonable assurance of payment for the delivery of the securityholder materials.

1.5(a) Subsection 6.2(1) of the National Instrument is repealed and the following substituted:

(1) A person or company may take any action permitted under this Instrument to be taken by a reporting issuer and, in so doing, has all the rights, and is subject to all of the obligations, of a reporting issuer in connection with that action, unless this Instrument specifies a different right or obligation.

(b) Subsection 6.2(3) of the National Instrument is amended by deleting the words "section 2.18" and substituting the words "paragraphs 2.12(1)(a) and (b), sections 2.14 and 2.18".

(c) Section 6.2 of the National Instrument is amended by adding the following subsection 6.2(6):

(6) A person or company, other than a reporting issuer to which the request relates, that sends materials indirectly to beneficial owners shall pay to the proximate intermediary a fee for sending the securityholder materials to the beneficial owners.

1.6 Part 7 of the National Instrument is repealed and the following substituted:

Part 7 USE OF NOBO LIST AND INDIRECT SENDING OF MATERIALS

7.1 Use of NOBO List – No reporting issuer or other person or company shall use a NOBO list or a report prepared under section 5.3 relating to the reporting issuer and obtained under this Instrument, except in connection with:

(a) sending securityholder materials to NOBOs in accordance with this Instrument;

(b) an effort to influence the voting of securityholders of the reporting issuer;

(c) an offer to acquire securities of the reporting issuer; or

(d) any other matter relating to the affairs of the reporting issuer.

7.2 Indirect Sending of Materials – No person or company other than the reporting issuer shall send any materials indirectly to beneficial owners of a reporting issuer under section 2.12 of this Instrument except in connection with:

(a) an effort to influence the voting of securityholders of the reporting issuer;

(b) an offer to acquire securities of the reporting issuer; or

(c) any other matter relating to the affairs of the reporting issuer.

1.7(a) The "Explanation to Clients" portion of Form 54-101F1 is amended by deleting the second and third paragraphs under the heading "Disclosure of Beneficial Ownership Information" and substituting the following:

If you **DO NOT OBJECT** to the disclosure of your beneficial ownership information, please mark the first box in Part 1 of the form. In those circumstances, you will not be charged with any costs associated with sending securityholder materials to you.

If you **OBJECT** to the disclosure of your beneficial ownership information by us, please mark the second box in Part 1 of the form. If you do this, all materials to be delivered to you as a beneficial owner of securities will be delivered by us. *[Instruction: Disclose particulars of any fees or charges that the intermediary may require an objecting beneficial owner to pay in connection with the sending of securityholder materials.]*

(b) The "Explanation to Clients" portion of Form 54-101F1 is amended by deleting the third paragraph under the heading "Receiving Securityholder Materials" and substituting the following:

Securities law permits you to decline to receive securityholder materials. The three types of materials that you may decline to receive are:

(a) proxy-related materials, including annual reports and financial statements, that are sent in connection with a securityholder meeting;

(b) annual reports and financial statements that are not part of proxy-related materials; and

(c) materials that a reporting issuer or other person or company sends to securityholders that are not required by corporate or securities law to be sent to registered holders.

(c) The "Explanation to Clients" portion of Form 54-101F1 is amended by deleting the Instruction in the first paragraph under the heading "Electronic Delivery of Documents" and substituting the following:

***[Instruction:** If applicable, either state (1) if the client wishes to receive documents by electronic delivery from the intermediary, the client should complete, sign and return an enclosed consent form with the client response form or (2) inform the client that electronic delivery of documents by the intermediary may be available upon his or her consent, and provide information as to how the client may provide that consent.]*

(d) The "Client Response Form" portion of Form 54-101F1 is amended by deleting the text under the heading "Part 2 – Receiving Securityholder Materials" and substituting the following:

Please mark the corresponding box to show what materials you want to receive. Securityholder materials sent to beneficial owners of securities consist of the following materials: (a) proxy-related materials for annual and special meetings; (b) annual reports and financial statements that are not part of proxy-related materials; and (c) materials sent to securityholders that are not required by corporate or securities law to be sent.

Y I WANT to receive ALL securityholder materials sent to beneficial owners of securities.

Y I DECLINE to receive ALL securityholder materials sent to beneficial owners of securities. *(Even if I decline to receive these types of materials, I understand that a reporting issuer or other person or company is entitled to send these materials to me at its expense.)*

Y I WANT to receive ONLY proxy-related materials that are sent in connection with a special meeting.

(Important note: These instructions do not apply to any specific request you give or may have given to a reporting issuer concerning the sending of interim financial statements of the reporting issuer. In addition, in some circumstances, the instructions you give in this client response form will not apply to annual reports or financial statements of an investment fund that are *not* part of proxy-related materials. An investment fund is also entitled to obtain specific instructions from you on whether you wish to receive its annual report or financial statements, and where you provide specific instructions, the instructions in this form with respect to financial statements will not apply.)

1.8(a) Item 7.5(a) of Part 1 of Form 54-101F2 is deleted and the following substituted:

(a) the type of meeting (annual, special or annual and special);

(b) Item 9.3(a) of Part 1 of Form 54-101F2 is deleted and the following substituted:

(a) the type of meeting (annual, special or annual and special);

1.9 Form 54-101F8 is amended by deleting the fourth paragraph beginning "By voting…" and the following substituted:

By voting the securities represented by this legal proxy, you will be acknowledging that you are the beneficial owner of those securities or a person designated by the beneficial owner to vote such securities, and that you are entitled to vote such securities.

PART TWO – EFFECTIVE DATE AND TRANSITION

2.1 Effective date of instrument - These amendments come into effect on February 9, 2005.

2.2 Transition – A reporting issuer that has filed a notice of a meeting and record date with the securities regulatory authority in accordance with the provisions of the National Instrument before the coming into force of these amendments is, with respect to that meeting, exempt from these amendments if the reporting issuer complies with the provisions of the National Instrument in force on February 8, 2005.

AMENDMENTS TO
COMPANION POLICY 54-101CP
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER

PART ONE – AMENDMENTS

1.1(a) Subsection 2.1(1) of the Companion Policy 54-101CP (the Companion Policy) is amended by deleting from the final sentence the words "; an example of these types of materials would be corporate communications containing product information."

(b) Subsection 2.2(1) of the Companion Policy is amended by adding the following sentence to the end of the subsection:

Subsection 2.12(3) does not require a reporting issuer to send proxy-related materials to all beneficial owners outside Canada. A reporting issuer need only send proxy-related materials to beneficial owners who hold through proximate intermediaries that are either participants in a recognized depository, or intermediaries on the depository's intermediary master list.

(c) Subsection 2.4(2) of the Companion Policy is repealed and the following substituted:

(2) For the purposes of the Instrument, if an intermediary that holds securities has discretionary voting authority over the securities, it will be the beneficial owner of those securities for purposes of providing instructions in a client response form, and would not also be an "intermediary" with respect to those securities.

1.2 (a) Subsection 3.2(3) of the Companion Policy is repealed and the following substituted:

(3) New intermediary searches may have to be conducted if the nature of the business to be transacted at the meeting is materially changed. If the nature of the business is changed to add business that results in the meeting becoming a special meeting, it may be necessary to conduct new intermediary searches in order to ensure that beneficial owners that had elected to receive only proxy-related materials that are sent in connection with a special meeting receive proxy-related materials for the meeting.

1.3 (a) Section 4.1 of the Companion Policy is amended by adding the following sentence to the end of the section:

Section 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations* requires reporting issuers to send annually a request form to the registered holders and beneficial holders of its securities that the holders may use to request a copy of the reporting issuer's financial statements and MD&A. Failing to return the request form or otherwise specifically request a copy of the financial statements or MD&A from the reporting issuer will override the beneficial owner's standing instructions under this Instrument in respect of the financial statements.

(b) Part 4 of the Companion Policy is amended by adding the following section 4.8:

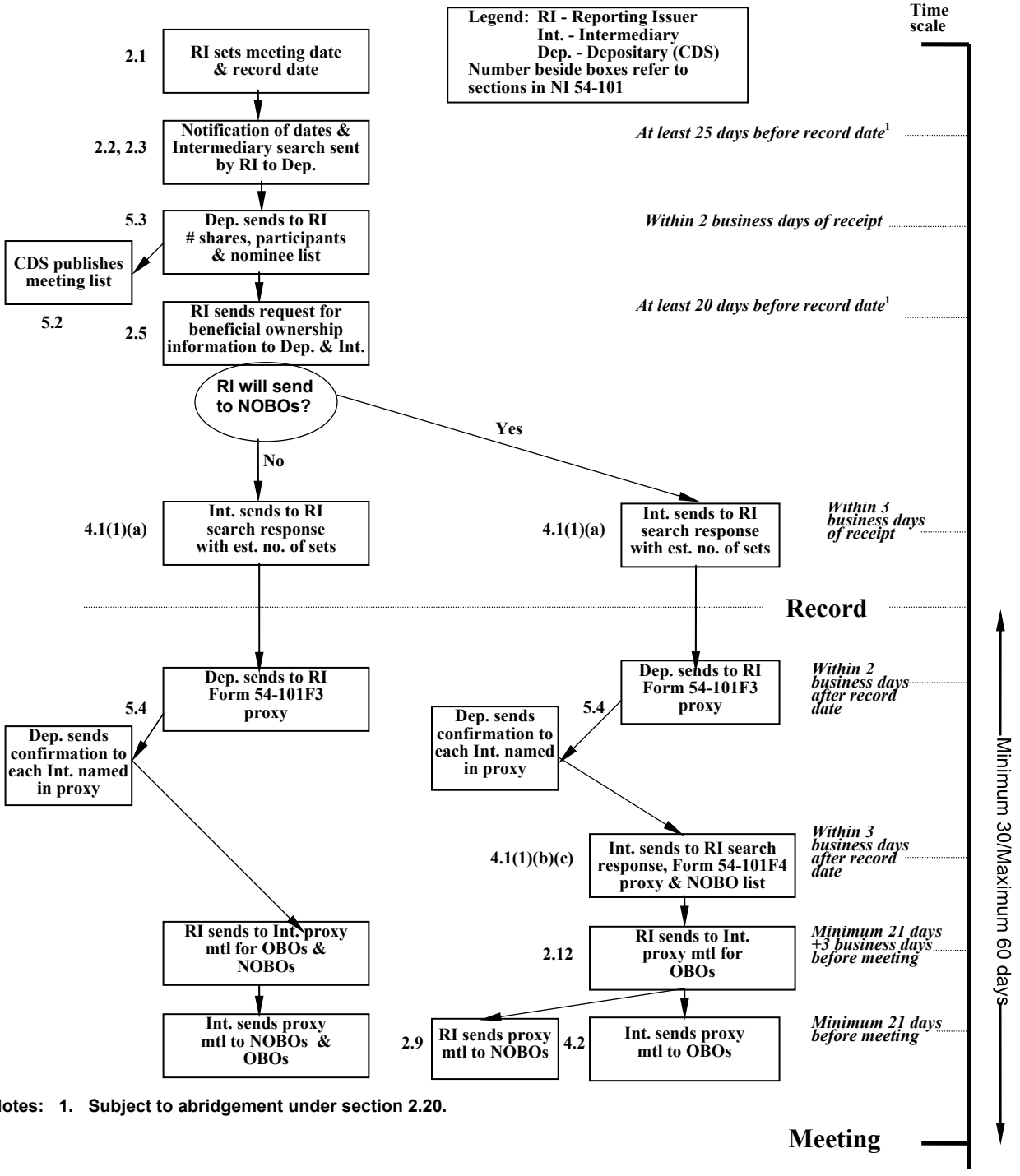
4.8 Instructions from Existing Clients – A client deemed to be a NOBO under NP41 can continue to be treated as a NOBO under paragraph 3.3(b)(ii) of this Instrument. However, intermediaries are responsible for ensuring that they comply with their obligations under privacy legislation with respect to their clients' personal information. Intermediaries may find that, notwithstanding paragraph 3.3(b)(ii), privacy legislation requires that they take measures to obtain their clients' consent before they disclose their clients' names and security holdings to a reporting issuer or other sender of material.

1.4 Subsection 5.4(4) of the Companion Policy is amended by deleting the first sentence of that subsection and substituting the following:

Section 3.2 of the Instrument requires intermediaries that hold securities on behalf of a client in an account to obtain the electronic mail address of the client, if available, and if applicable, to enquire whether the client wishes to consent to electronic delivery of documents by the intermediary to the client.

1.5 Appendix A of the Companion Policy is deleted in its entirety and the following substituted:

Appendix A
Proxy Solicitation under NI 54-101



Notes: 1. Subject to abridgement under section 2.20.

PART TWO – EFFECTIVE DATE

2.1 These amendments come into effect on February 9, 2005.

5.1.3 OSC Rule 48-501 and Companion Policy 48-501CP

ONTARIO SECURITIES COMMISSION
RULE 48-501

TRADING DURING
DISTRIBUTIONS, FORMAL BIDS AND
SHARE EXCHANGE TRANSACTIONS

Table of Contents

PART 1 - DEFINITIONS

1.1 Definitions

In this Rule

“connected security” means, in respect of an offered security,

(a) a security into which the offered security is immediately convertible, exchangeable or exercisable unless the security is a listed security or quoted security and the price at which the offered security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the security at the commencement of the restricted period,

(b) a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may significantly determine the value of the offered security,

(c) if the offered security is a special warrant, the security which would be issued on the exercise of the special warrant, and

(d) if the offered security is an equity security, any other equity security of the issuer,

where the security trades on a marketplace or a market where there is mandated transparency of orders or trade information;

“dealer-restricted period” means, for a dealer-restricted person, the period,

(a) in connection with a prospectus distribution or a restricted private placement of an offered security, commencing on the later of

(i) the date two trading days prior to the day the offering price of the offered security is determined, and

(ii) the date on which a dealer enters into an agreement or reaches an understanding to participate in the prospectus distribution or restricted private placement of securities, whether or not the terms and conditions of such participation have been agreed upon, and

ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of dissemination of the take-over bid circular, issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid, and

(c) in connection with an amalgamation, arrangement, capital reorganization or similar transaction, commencing on the date of dissemination of the information circular for such transaction and ending on the date of approval of the transaction by the security holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"dealer-restricted person" means, in respect of a particular offered security,

(a) a dealer that

(i) is an underwriter, as defined in the Act, in a prospectus distribution or a restricted private placement,

(ii) is participating, as agent but not as an underwriter, in a restricted private placement, and

(A) the number of securities to be issued under the restricted private placement would constitute more than 10% of the issued and outstanding offered securities, and

(B) the dealer has been allotted or is otherwise entitled to sell more than 25% of the securities to be issued under the restricted private placement,

(iii) has been appointed by an offeror to be the dealer-manager, manager, soliciting dealer or adviser in respect of a securities exchange take-over bid or issuer bid, or

(iv) has been appointed by an issuer to be the soliciting dealer or adviser in respect of obtaining security holder approval for an amalgamation, arrangement, capital reorganization or similar transaction that would result in the issuance of securities that would be a distribution exempt from prospectus requirements in accordance with applicable securities law,

where, in each case, adviser means an adviser whose compensation depends on the outcome of the transaction,

(b) a related entity of the dealer referred to in clause (a) but does not include such related entity, or any separate and distinct department or division of a dealer referred to in clause (a) where,

(i) the dealer

(A) maintains and enforces written policies and procedures reasonably designed to prevent the flow of information regarding any prospectus distribution, private placement or transaction referred to in clause (a) to or from the related entity, department or division, and

(B) obtains an annual assessment of the operation of such policies and procedures,

(ii) the dealer has no officers or employees that solicit orders or recommend transactions in securities in common with the related entity, department or division, and

(iii) the related entity, department or division does not during the dealer-restricted period, in connection with the restricted security,

(A) act as a market maker (other than to meet its obligations under the rules of a recognized exchange),

(B) solicit orders from clients, or

(C) engage in proprietary trading,

(c) a partner, director, officer, employee or a person holding a similar position or acting in a similar capacity for the dealer referred to in clause (a) or for a related entity of the dealer referred to in clause (b), or

(d) any person or company acting jointly or in concert with a person or company described in clause (a), (b) or (c) for a particular transaction;

"exchange-traded fund" means a mutual fund,

(a) the units of which are

(i) listed securities or quoted securities, and

(ii) in continuous distribution in accordance with applicable securities legislation, and

(b) designated by the Director as an exchange-traded fund for the purposes of this Rule;

"highly-liquid security" means a listed security or quoted security that,

(a) has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period,

(i) an average of at least 100 times per trading day, and

(ii) with an average trading value of at least $1,000,000 per trading day, or

(b) is subject to Regulation M under the 1934 Act and is considered to be an "actively-traded security" thereunder;

"issuer-restricted period" means, for an issuer-restricted person, the period,

(a) in connection with a prospectus distribution or a restricted private placement of an offered security, commencing on the date two trading days prior to the day the offering price of the offered security is determined, and ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated,

(b) in connection with a securities exchange take-over bid or issuer bid, commencing on the date of the dissemination of the take-over bid circular, issuer bid circular or similar document and ending with the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the withdrawal of the bid, and

(c) in connection with an amalgamation, arrangement, capital reorganization or other similar transaction, commencing on the date of dissemination of the information circular for such transaction and ending on the date of approval of the transaction by the security holders that will receive the offered security or the termination of the transaction by the issuer or issuers;

"issuer-restricted person" means, in respect of a particular offered security,

(a) the issuer of the offered security,

(b) a selling security holder of the offered security in connection with a prospectus distribution or restricted private placement,

(c) an affiliated entity, associated entity or insider of the issuer of the offered security or a selling security holder but does not include a person who is an insider by virtue of clause (c) of the definition of "insider" under the Act so long as that person:

(i) does not have, and has had not in the previous 12 months, any board or management representation in respect of the issuer or selling security holder; and

(ii) does not have knowledge of any material information concerning the issuer or its securities that has not been generally disclosed; or

(d) any person or company acting jointly or in concert with the person or company described in clause (a), (b) or (c) for a particular transaction;

"last independent sale price" means the last sale price of a trade on a market, other than a trade that a dealer-restricted person knows or ought reasonably to know was made by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

"offered security" means all securities, that trade on a marketplace or a market where there is mandated transparency of orders or trade information, of the class of security that

(a) is offered pursuant to a prospectus distribution or a restricted private placement,

(b) is offered by an offeror in a securities exchange take-over bid in respect of which a take-over bid circular or similar document is required to be filed under securities legislation,

(c) is offered by an issuer in an issuer bid in respect of which an issuer bid circular or similar document is required to be filed under securities legislation, or

(d) would be issuable to a security holder pursuant to an amalgamation, arrangement, capital reorganization or similar transaction in relation to which proxies are being solicited from security holders that will receive the offered security in such circumstances that the issuance would be a distribution exempt from prospectus requirements in accordance with applicable securities legislation,

provided that, if the security referred to in clauses (a) to (d) is a unit comprised of more than one type or class, each security comprising the unit shall be considered an offered security;

"restricted private placement" means a distribution of offered securities made pursuant to clause 72(1)(b) of the Act or section 2.3 of Ontario Securities Commission Rule 45-501 – *Exempt Distributions*; and

"restricted security" means the offered security or any connected security.

1.2 Interpretation

(1) Affiliated Entity - The term "affiliated entity" has the meaning ascribed to that term in section 1.3 of National Instrument 21-101 – *Marketplace Operation*.

(2) Associated Entity - Where used to indicate a relationship with an entity, associated entity has the meaning ascribed to the term "associate" in subsection 1(1) of the Act and also includes any person or company of which the entity beneficially owns voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the person or company.

(3) Equity Security – An equity security is any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets.

(4) Related Entity - In respect of a dealer, a related entity is an affiliated entity of the dealer that carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation.

(5) For the purposes of the definitions of "dealer-restricted period" and "issuer-restricted period":

(a) the selling process shall be considered to end,

(i) in the case of a prospectus distribution, if a receipt has been issued for the final prospectus, the dealer has allocated all of its portion of the securities to be distributed under the prospectus and all selling efforts have ceased, and

(ii) in the case of a restricted private placement, the dealer has allocated all of its portion of the securities to be distributed under the offering; and

(b) stabilization arrangements shall be considered to have terminated in the case of a syndicate of underwriters or agents when, in accordance with the syndication agreement, the lead underwriter or agent determines that the syndication agreement has been terminated such that any purchase or sale of a restricted security by a dealer after the time of termination is not subject to the stabilization arrangements or otherwise made jointly for the dealers that were party to the stabilization arrangements.

PART 2 - RESTRICTIONS

2.1 Dealer-restricted Person

Except as permitted under sections 3.1, 4.1 and 4.2, a dealer-restricted person shall not at any time during the dealer-restricted period,

(a) bid for or purchase a restricted security for an account of a dealer-restricted person, an account over which the dealer-restricted person exercises direction or control, or, except in accordance with section 3.2, an account which the dealer-restricted person knows or reasonably ought to know, is an account of an issuer-restricted person; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.2 Issuer-restricted Person

Except as permitted under section 3.2, an issuer-restricted person shall not at any time during the issuer-restricted period,

(a) bid for or purchase a restricted security for an account of an issuer-restricted person or an account over which the issuer-restricted person exercises direction or control; or

(b) attempt to induce or cause any person or company to purchase any restricted security.

2.3 Deemed Re-commencement of a Restricted Period

If a dealer appointed to be an underwriter in a prospectus distribution or a restricted private placement receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the offered securities allotted to or acquired by the dealer in connection with the prospectus distribution or the restricted private placement then a dealer-restricted period and issuer-restricted period shall be deemed to have re-commenced upon receipt of such notice or notices and shall be deemed to have ended at the time the dealer has distributed its participation, including the securities that were the subject of the notice or notices of the exercise of statutory rights of withdrawal or rights of rescission.

PART 3 - PERMITTED ACTIVITIES AND EXEMPTIONS

3.1 Exemptions - Dealer-restricted Persons

(1) Section 2.1 does not apply to a dealer-restricted person in connection with,

(a) market stabilization or market balancing activities on a marketplace where the bid for or purchase of a restricted security is for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interests for the restricted security, provided that the bid or purchase is at a price which does not exceed the lesser of

(i) in the case of an offered security

(A) the price at which the offered security will be issued in a prospectus distribution or restricted private placement, if that price has been determined, and

(B) the last independent sale price at the time of the entry of the bid or order to purchase, or

(ii) in the case of a connected security

(A) the last independent sale price at the commencement of the dealer-restricted period, and

(B) the last independent sale price at the time of the entry of the bid or order to purchase,

provided that if the restricted security has not previously traded on a marketplace, the price also does not exceed the price of the last trade of the security executed on an exchange or organized regulated market outside of Canada that publicly disseminates details of trades executed on that market other than a trade that the dealer-restricted person knows or ought reasonably to know has been entered by or on behalf of a person or company that is a dealer-restricted person or an issuer-restricted person;

(b) a restricted security that is

(i) a highly-liquid security,

(ii) a unit or share of an exchange-traded fund, or

(iii) a connected security of a security referred to in subclause (i) or (ii);

(c) a bid or purchase by a dealer-restricted person on behalf of a client, other than a client that the dealer-restricted person knows or ought reasonably to know is a person or company that is an issuer-restricted person, provided that

(i) the client's order was not solicited by the dealer-restricted person, or

(ii) if the client's order was solicited, the solicitation occurred before the commencement of the dealer-restricted period;

(d) the exercise of an option, right, warrant or a similar contractual arrangement held or entered into by the dealer-restricted person prior to the commencement of the dealer-restricted period;

(e) a bid for or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(f) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid;

(g) a subscription for or purchase of an offered security pursuant to a prospectus distribution or restricted private placement;

(h) a bid for or purchase of a restricted security to cover a short position entered into prior to the commencement of the dealer-restricted period; or

(i) a bid for or purchase of a restricted security if the bid or purchase is made through the facilities of a marketplace in accordance with applicable marketplace rules.

(2) Where a dealer-restricted person is also an issuer-restricted person the exemptions in subsection (1) and sections 4.1 and 4.2 continue to be available to the dealer-restricted person.

3.2 Exemptions - Issuer-restricted Persons

Section 2.2 does not apply to an issuer-restricted person in connection with,

(a) the exercise of an option, right, warrant, or a similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the issuer-restricted period;

(b) a bid or purchase of a restricted security pursuant to a Small Securityholder Selling and Purchase Arrangement made in accordance with National Instrument 32-101 or similar rules applicable to any marketplace on which the bid or purchase is entered or executed;

(c) an issuer bid described in clauses 93(3)(a) through (d) of the Act if the issuer did not solicit the sale of the securities sold under those clauses;

(d) the solicitation of the tender of securities to a securities exchange take-over bid or issuer bid; or

(e) a subscription for or purchase of an offered security pursuant to a prospectus distribution or restricted private placement.

PART 4 - RESEARCH REPORTS

4.1 Compilations and Industry Research

Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any information, opinion, or recommendation relating to the issuer of a restricted security provided that such information, opinion or recommendation,

(a) is contained in a publication which:

(i) is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person, and

(ii) includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of companies in the issuer's industry or contains a comprehensive list of securities currently recommended by the dealer-restricted person; and

(b) is given no materially greater space or prominence in such publication than that given to other securities or issuers.

4.2 Issuers of Highly-liquid Securities

Despite section 53 of the Act and section 2.1, a dealer-restricted person may publish or disseminate any information, opinion, or recommendation relating to the issuer of a restricted security that is a highly-liquid security provided that such information, opinion, or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of the business of the dealer-restricted person.

PART 5 - EXEMPTION

5.1 Exemption

The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 6 - EFFECTIVE DATE

6.1 Effective Date

This Rule shall come into force on May 9, 2005.

COMPANION POLICY 48-501CP TO RULE 48-501
TRADING DURING DISTRIBUTIONS, FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS

PART 1 – INTRODUCTION

1.1 Purpose – Ontario Securities Commission Rule 48-501 Trading during Distributions, Formal Bids and Share Exchange Transactions (the "Rule") imposes trading restrictions on dealers, issuers and certain related parties involved in a distribution of securities, take-over bids and certain other transactions. The Rule generally prohibits purchases of or bids for restricted securities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. This Companion Policy sets out the views of the Ontario Securities Commission (the "Commission") as to the interpretation of various terms and provisions in the Rule.

PART 2 – DEFINITIONS AND INTERPRETATIONS

2.1 "connected security" – The definition of "connected security" in section 1.1 of the Rule includes, among other things, a security of the issuer of the offered security or another issuer that, according to the terms of the offered security, may *significantly determine* the value of the offered security. The Commission takes the view that, absent other mitigating factors, a connected security "significantly determines" the value of the offered security, if, in whole or in part, it accounts for more than 25% of the value of the offered security.

2.2 "exchange-traded fund" – Section 1.1 of the Rule defines an "exchange-traded fund", in part, as a mutual fund designated by the Director as an exchange-traded fund for the purposes of the Rule. As guidance, an exchange-traded fund may be designated by the Director where it is determined that it would be difficult to manipulate the price of units or shares of the mutual fund. The following factors would be considered in determining whether a mutual fund would be difficult to manipulate: (a) the redemption features and whether they cause the market price to be tied to the net asset value; and (b) the transparency of the fund or underlying assets of the fund. Application for such designation should be made to the Commission prior to or at the time of filing the prospectus.

2.3 End of "dealer-restricted period" and "issuer-restricted period" – distribution of securities and exercise of over-allotment option – The definitions of "dealer-restricted period" and "issuer-restricted period", with respect to a prospectus distribution and a "restricted private placement", refer to the end of the period as the date that the selling process ends and all stabilization arrangements relating to the offered security are terminated. Paragraph (a) of subsection 1.2(5) provides interpretation as to when the selling process is considered to end. As further clarification, the selling process is considered to end for a prospectus distribution when the receipt for the prospectus has been issued, the dealer has distributed all securities allocated to it and is no longer stabilizing, all selling efforts have ceased and the syndicate is broken. Selling efforts have ceased when the dealer is no longer making efforts to sell, and there is no intention to exercise an over-allotment option other than to cover the syndicate's short position. If the dealer or syndicate subsequently exercises an over-allotment option in an amount that exceeds the syndicate short position, the selling efforts would not be considered to have ceased. Securities allocated to a dealer that are held and transferred to their inventory account at the end of the distribution are considered distributed. Subsequent sales of such securities are secondary market transactions and should occur on a marketplace subject to any applicable exemptions (unless the subsequent sale transaction is a distribution by prospectus). To provide certainty around when the distribution has ended, appropriate steps should be taken to move the securities from the syndication account to the dealer's inventory account.

PART 3 – RESTRICTED PERSONS

3.1 Meaning of "acting jointly or in concert" – The definitions of "dealer-restricted person" and "issuer-restricted person" in section 1.1 of the Rule include a person or company acting jointly or in concert with a person or company that is also a dealer-restricted person or an issuer-restricted person for a particular transaction. For the purposes of the Rule, "acting jointly or in concert" has a similar meaning to that phrase as defined in section 91 of the Act, with necessary modifications. In the context of this Rule only, it is a question of fact whether a person or company is acting jointly or in concert with a dealer- or issuer-restricted person and, without limiting the generality of the foregoing, every person or company who, as a result of an agreement, commitment or understanding, whether formal or informal, with a dealer-restricted person or an issuer-restricted person, bids for or purchases a restricted security will be presumed to be acting jointly or in concert with such dealer-restricted person or issuer-restricted person.

3.2 Exclusion of "related party" – The definition of "dealer-restricted person" in clause 1.1(b) excludes a related entity where certain conditions are met. Subclause (i)(B) requires the dealer to obtain an annual assessment of the operation of the policies and procedures referred to in subclause (i)(A). In the Commission's view, this assessment may be conducted as part of the annual policy and procedure review of the supervision system as required by Policy 7.1 of the Universal Market Integrity Rules.

PART 4 – MARKETPLACE AND MARKETPLACE RULES

4.1 Meaning of "marketplace" – In this Rule, marketplace means all marketplaces as defined in section 1.1 of National Instrument 21-101 – *Marketplace Operation*.

4.2 Meaning of "marketplace rules" – Marketplace rules refer to the rules, policies and other similar instruments adopted by a recognized stock exchange or recognized quotation and trade reporting system as approved by the applicable securities regulatory authority but not including any rules, policies or other similar instruments relating solely to the listing of securities on a stock exchange or to the quoting of securities on a quotation and trade reporting system.

PART 5 – EXEMPTIONS

5.1 Fraud and Manipulation – Provisions against manipulation and fraud are found in securities legislation, specifically, Part 3 of National Instrument 23-101 – *Trading Rules* (NI 23-101) and section 126.1 of the *Securities Act* (Ontario) (when that provision comes into force). NI 23-101 prohibits manipulative or deceptive trading, including activities that may create misleading pricing or trading activity that is detrimental to investors and the integrity of the markets. The Rule specifically prohibits certain trading activities in circumstances where there is heightened concern over the possibility of manipulation by those with an interest in the outcome of the distribution or transaction. The Rule also provides certain exemptions to permit purchases and bids in situations where there is no, or a very low, possibility of manipulation. However, the Commission is of the view that notwithstanding that certain trading activities are permitted under the Rule these activities continue to be subject to the general provisions relating to manipulation and fraud found in securities legislation such that any activities carried out in accordance with the Rule must still meet the spirit of the general anti-manipulation and anti-fraud provisions.

5.2 Market Stabilization and Market Balancing – Subsection 3.1(1) of NI 23-101 prohibits manipulation or fraud which includes, among other things, a transaction or series of transactions that a person or company knows, or ought reasonably to have known, would contribute to a misleading appearance of trading activity or an artificial price for a security. Companion Policy 23-101CP to NI 23-101 states that the Canadian securities regulatory authorities do not consider market stabilization activities carried out in connection with a distribution of securities to be activities in breach of subsection 3.1(1) provided such activities are carried out in accordance with applicable marketplace rules or provisions of securities legislation that permit market stabilization activities. Clause 3.1(1)(a) of the Rule provides dealer-restricted persons with an exemption for market stabilization and market balancing activities subject to price limitations. Market stabilization and market balancing activities should be engaged in for the purpose of maintaining a fair and orderly market in the offered security by reducing the price volatility of or addressing imbalances in buying and selling interest for the restricted security.

The Commission considers it to be inappropriate for a dealer to engage in market stabilization activities in circumstances where the dealer knows or should reasonably know that the market price is not fairly and properly determined by supply and demand. This might exist where, for example, the dealer is aware that the market price is a result of inappropriate activity by a market participant or that there is undisclosed material information regarding the issuer.

Market balancing activities should contribute to a fair and orderly market by contributing to price continuity and depth and by minimizing supply-demand disparity. Market balancing does not seek to prevent or unduly retard any price movements, but merely to prevent erratic or disorderly changes in price.

5.3 Short-position Exemption – Subclause 3.1(1)(h) provides an exemption from the Rule for a dealer-restricted person in connection with a bid for or purchase to cover a short position provided it was entered into before the commencement of the dealer-restricted period. Short positions entered into during the dealer-restricted period may be covered by purchases made in reliance upon the market stabilization exemption in clause 3.1(1)(a), subject to the price limits set out in that exemption.

PART 6 – RESEARCH

6.1 Section 53 of the Act – Part 4 of the Rule provides exemptions from section 53 of the Act which prohibits providing research that in the Commission's view constitutes an act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of a trade prior to the filing and receipt of the preliminary prospectus and prospectus. The Commission is of the view that although sections 4.1 and 4.2 do permit dealer-restricted persons to disseminate research reports, this dissemination continues to be subject to the usual restrictions applicable to dealer-restricted persons when they are in possession of material inside information regarding the issuer.

6.2 Meaning of "reasonable regularity" – Sections 4.1 and 4.2 of the Rule provides circumstances where a dealer-restricted person may publish or disseminate information, an opinion, or a recommendation relating to the issuer of a restricted security. Clause 4.1(a) and section 4.2 require that the information, opinion or recommendation is contained in a publication which is disseminated with reasonable regularity in the normal course of business of the dealer-restricted person. The Commission considers that it is a question of fact whether a publication was disseminated "with reasonable regularity" and whether it was in the "normal course of business". A research publication would not likely be considered to have been published

with reasonable regularity if it had not been published within the previous twelve month period or there had been no coverage of the issuer within the previous twelve month period. The nature and extent of the published information should also be consistent with prior publications and the dealer should not undertake new initiatives in the context of the distribution. For example, the inclusion of projections of issuers' earnings and revenues would likely only be permitted if they had previously been included on a regular basis. In considering whether it was "in the normal course of business", the Commission may consider the distribution channels. The research should be distributed through the dealer-restricted person's usual research distribution channels and should not be targeted or distributed specifically to prospective investors in the distribution as part of a marketing effort. However, the research may be distributed to a prospective investor if that investor was previously on the mailing list for the research publication.

6.3 Meaning of "similar coverage" and of "substantial number of companies" – Clause 4.1(b) of the Rule requires that the information, opinion or recommendation includes similar coverage in the form of information, opinions or recommendations with respect to a substantial number of issuers in the issuer's industry. This should not be interpreted as requiring that the opinions and recommendations relating to the issuer and other issuers in the issuer's industry must be similar or the same. In this context, in determining what is a "substantial number of issuers", reference should be made to the relevant industry. Generally, the Commission would consider a minimum of six issuers to be a sufficient number. However, where there are less than six issuers in an industry, then all issuers should be included in the research report. In any event the number of issuers should not be less than three.

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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
01-Apr-2005	5 Purchasers	AB Svensk Exportkredit - Notes	2,430,000.00	2,000.00
31-May-2005	Governing Council of the U of T and State Street Co. of Canada	Advent International GPE V-G LP- LP Interest	9,300,000.00	2.00
18-Apr-2005	5 Purchasers	Belair Networks Inc. - Debentures	3,778,107.00	3,778,107.00
30-Jul-2004	Douglas M. Lane	BMB Munai, Inc. - Common Shares	5,000.00	1,000.00
08-Apr-2005	3408256 Canada Inc.	C & C Energy Canada Ltd. - Common Shares	50,000.00	50,000.00
01-Apr-2005	21 Purchasers	Canadian Shield Resources Inc. - Units	305,665.00	122,660.00
01-Apr-2005	21 Purchasers	Canadian Shield Resources Inc. - Units	1,031,998.05	6,879,987.00
14-Apr-2005	18 Purchasers	Cannasat Pharmaceuticals Inc. - Common Shares	440,000.00	440,000.00
12-Apr-2005	6 Purchasers	Corporate Properties Limited - Units	425,000.00	283,333.00
14-Apr-2005	5 Purchasers	Datawire Communication Networks Inc. - Preferred Shares	1,024,734.00	550,001.00
15-Apr-2005	AGS Energy 2005-1 LP	Dorian Energy Inc. - Common Shares	382,172.00	104,652.00
11-Apr-2005 to 14-Apr-2005	M. Patel Fred Mansour	Dublin Castle Investments Inc. - Units	3,750.00	2,500.00
07-Apr-2005	4 Purchasers	Duinord Petroleum, Inc. - Units	1,000,000.00	2,500,000.00
23-Mar-2005	20 Purchasers	Franconia Minerals Corporation - Units	1,460,000.00	3,650,000.00
30-Mar-2005	ITW Canada	GMO Developed World Equity Investment Fund PLC - Units	69,019.39	2,534.00
22-Feb-2005 to 01-Apr-2005	7 Purchasers	Goldentech Entertainment Software Inc. - Shares	39,600.00	36,000.00
02-Jan-2004 to 29-Dec-2004	575 Purchasers	Highstreet Balanced Fund - Units	34,033,981.00	2,603,932.00
02-Jan-2004 to 29-Dec-2004	96 Purchasers	Highstreet Canadian Bond Index Fund - Units	9,615,381.00	913,492.00
02-Jan-2004 to 29-Dec-2004	13 Purchasers	Highstreet Canadian Growth Fund - Units	1,036,189.00	100,461.00
07-Jan-2004 to 12-Nov-2004	12 Purchasers	Highstreet International Equity Fund - Units	769,034.00	64,852.00
02-Jan-2004 to 23- Jan-2004	27 Purchasers	Highstreet Money Market Fund - Units	13,183,972.00	1,318,397.00
02-Jan-2004 to 26-Nov-2004	22 Purchasers	Highstreet US Equity Fund - Units	2,812,132.00	301,507.00
04-Apr-2005 to 13-Apr-2005	11 Purchasers	IMAGIN Diagnostic Centres, Inc. - Common Shares	518,000.00	518,000.00

14-Apr-2005	Investment Planning Counsel Inc.	IPC Investment Corporation - Preferred Shares	115,000.00	58,974.00
31-Mar-2005	3 Purchasers	Kingwest Avenue Portfolio - Units	109,000.00	4,468.00
23-Mar-2005	IBK Capital Corp.	Kodiak Exploration Limited - Units	2,838,099.60	9,460,332.00
15-Apr-2005	The Erin Mills Investment Corporation	Lorus Therapeutics Inc. - Convertible Debentures	5,000,000.00	5,000,000.00
14-Apr-2005	Maple Holdings Canada Ltd.	Maple Partners Investments Inc. - Preferred Shares	34,000,000.00	3,400,000.00
06-Apr-2005	TD Capital Private Equity Investors Partnership II	Menlo Ventures X, L.P. - Limited Partnership Units	0.00	15,000,000.00
22-Mar-2005	17 Purchasers	Minera Andes Inc. - Units	3,255,500.05	5,919,091.00
05-Apr-2005	K2 Principal Fund L.P.	NHC Communications Inc. - Warrants	300,000.00	545,454.00
04-Apr-2005	4 Purchasers	Nuinsco Resources Limited - Flow-Through Shares	1,050,419.24	4,040,074.00
04-Apr-2005	3 Purchasers	Nuinsco Resources Limited - Units	150,020.02	681,910.00
31-Mar-2005	3 Purchasers	Nysa Membrane Technologies, Inc. - Preferred Shares	600,000.00	17,457.00
08-Apr-2005	Larry Barr	O'Donnell Emerging Companies Fund - Units	58,531.74	14,547.00
	Marita Simbul-Lezon			
05-Apr-2005	3 Purchasers	Outlook Resources Inc. - Units	37,000.00	370,000.00
01-Jan-2004 to 31-Dec-2004	37 Purchasers	Performance Market Hedge Fund - Units	43,144,000.00	43,144.00
14-May-2005	Elliott Kerr	Platinum Group Metals Ltd. - Shares	9,900.00	6,600.00
14-May-2005	Elliott Kerr and 2035718 Ontario Inc.	Platinum Group Metals Ltd. - Units	120,000.00	100,000.00
04-Apr-2005	Lawrence Enterprise Fund Inc.	Points International Ltd. - Common Shares	815,977.36	1,194,695.00
	Jon Love			
12-Apr-2005	3 Purchasers	Probe Mines Limited - Units	95,000.00	212,878.00
31-Mar-2005	Jack Shinehoft and 1522353 Ontario Inc.	Qualia Real Estate Investment Fund II LP - LP Units	150,000.00	3.00
03-Dec-2004	6 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	1,846,104.00	1,586.00
10-Dec-2004	18 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	5,207,736.00	4,474.00
08-Oct-2004	Anthony Lena	Red Mile Resources Fund LP - Limited Partnership Units	529,620.00	455.00
	Kimmo Murto			
22-Oct-2004	4 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	690,252.00	593.00
28-Sep-2004	71 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	451,108,200.00	387,550.00
17-Dec-2004	138 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	42,205,476.00	36,259.00
26-Nov-2004	7 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	2,000,916.00	1,719.00
19-Nov-2004	Richard Nixon	Red Mile Resources Fund LP - Limited Partnership Units	1,307,172.00	1,123.00
	Yosef Kwamie			
12-Nov-2004	6 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	2,735,400.00	2,350.00
29-Oct-2004	3 Purchasers	Red Mile Resources Fund LP - Limited Partnership Units	1,739,016.00	1,494.00
09-Jan-2005 to 24-Dec-2004	420 Purchasers	Redwood Long/Short Canadian Growth Fund - Trust Units	19,394,620.00	1,763,147.00
09-Jan-2004 to	31 Purchasers	Redwood Long/Short Value Fund LP - LP Units	1,141,061.00	120,111.00

03-Dec-2004				
12-Apr-2005	Scotia Capital Inc.	Rocket Trust - Notes	25,000,000.00	25,000,000.00
06-Apr-2005	Co-Operators Investment Counselling Ltd. 3 Purchasers	Sanu Resources Ltd. - Units	165,000.00	300,000.00
08-Apr-2005	BCE Inc.	Simpler Networks Corp. - Convertible Preferred Shares	2,292,339.47	2,028,619.00
01-Apr-2005	Onbelay Capital Inc.	Stacey Investment LP - LP Units	225,049.11	6,897.00
11-Apr-2005	OMBA Warranty Program 7 Purchasers	Terex Resources Inc. - Units	80,000.00	800,000.00
01-Apr-2005	Cynthia Tripp and Amaranth Resources Limited	The Alpha Fund - Limited Partnership Units	3,500,000.00	19.00
11-Apr-2005	3 Purchasers	The Marilem Fund - Units	125,000.00	12,500.00
13-Apr-2005	Conros Corporation	Tonbridge Power Corporation - Common Shares	120,000.00	40,000.00
10-Apr-2005	12 Purchasers	Trinity Plumas Capital Corp - Units	286,000.00	381,333.00
06-Apr-2005	3 Purchasers	Tropic Networks Inc. - Preferred Shares	6,892,228.65	14,149,098.00
19-Apr-2005	Bank of Montreal	Whiting Petroleum Corporation - Notes	6,112,359.35	5,000.00
08-Apr-2005	Credit Risk Advisors Minjay Holdings Ltd.	ZTEST Electronics Inc. - Warrants	0.00	1,177,524.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AltaGas Income Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated April 22, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
$500,000,000.00 -Trust Units Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #768808

Issuer Name:
B Split II Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 22, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
$ * - * Class B Preferred Shares Price: $ * per Class B Preferred Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #768594

Issuer Name:
Cargojet Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 25, 2005
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
Ajay Virmani
Project #769679

Issuer Name:
DFA International Core Equity Fund
DFA U.S. Applied Core Equity Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Simplified Prospectuses dated April 21, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
Class A, F and I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Dimensional Fund Advisors Canada Inc.
Project #768435

Issuer Name:
DMP Canadian Dividend Class
DMP Canadian Value Class
DMP Focus+ Equity Class
DMP Global Value Class
DMP Power Canadian Growth Class
DMP Power Global Growth Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated April 22, 2005
Mutual Reliance Review System Receipt dated April 25, 2005
Offering Price and Description:
Series A, F and I Shares
Underwriter(s) or Distributor(s):
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
Goodman & Company, Investment Counsel Ltd.
Project #768757

Issuer Name:
Freehold Royalty Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated April 22, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
$210,002,750.00 - 13,505,000 Subscription Receipts, each representing the right to receive one Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #768824

Issuer Name:
Hudson Bay Mining and Smelting Co., Limited
Type and Date:
Preliminary Short Form Prospectus dated April 20, 2005
Receipted on April 20, 2005
Offering Price and Description:
US$175,000,000.00 - OFFER TO EXCHANGE the outstanding 95/8% Senior Secured Notes due January 15, 2012 (US$175,000,000 principal amount outstanding) (CUSIP numbers 44360AA6 and C44255AA2) for 95/8% Senior Secured Exchange Notes due January 15, 2012 Unconditionally guaranteed as to principal, premium (if any), interest and certain other amounts by HudBay Minerals Inc.
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #767523

Issuer Name:
KCP Income Fund
KIK Acquisition Company
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 21, 2005
Mutual Reliance Review System Receipt dated April 21, 2005
Offering Price and Description:
C$100,320,000.00 (US$80,000,000.00) 9,600,000 Units 6.5% Exchangeable Unsecured Subordinated Debentures Price: $10.45 per Unit US$1,000.00 per Debenture
Underwriter(s) or Distributor(s):
TD Securities Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Genuity Capital Markets
RBC Dominion Securities Inc.
Sprott Securities Inc.
Promoter(s):
-
Project #768135/768158

Issuer Name:
Keystone Diversified Income Portfolio Fund
Keystone Dynamic Power Small-Cap Capital Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated April 20, 2005
Mutual Reliance Review System Receipt dated April 21, 2005
Offering Price and Description:
Series A, F,G, I, O, R and T Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #767692

Issuer Name:
Novadaq Technologies Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 26, 2005
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
GMP Securities Ltd.
Orion Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #769732

Issuer Name:
Qwest Energy 2005-II Flow-Through Limited Partnership
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 21, 2005
Offering Price and Description:
Maximum Offering: $25,000,000 (1,000,000 Units)
Minimum Offering: $5,000,000 (200,000 Units) Price: $25.00 per Unit Minimum Purchase: 200 Units
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Berkshire Securities Inc.
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
Qwest Energy Investment Management Corp.
Project #768185

Issuer Name:
Voxcom Income Fund
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 20, 2005
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
First Associates Investments Inc.
Promoter(s):
Voxcom Incorporated
Project #764903

Issuer Name:
Accumulus North American Momentum Fund
(formerly Accumulus North American Index Momentum RSP Fund)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
Series A, I and F Units
Underwriter(s) or Distributor(s):
Accumulus Management Ltd.
Promoter(s):
Accumulus Management Ltd.
Project #748603

Issuer Name:
AGF Canadian Growth Equity Fund Limited
AGF Canadian Large Cap Dividend Fund
AGF Canadian Real Value Fund
AGF Canadian Small Cap Fund
AGF Canadian Stock Fund
AGF Diversified Dividend Income Fund
AGF Monthly High Income Fund
AGF Aggressive Global Stock Fund
AGF Aggressive Growth Fund
AGF Aggressive Japan Class
AGF American Growth Class
AGF Asian Growth Class
AGF Canada Class
AGF China Focus Class
AGF Emerging Markets Fund (formerly, AGF Emerging Markets Value Fund)
AGF European Equity Class
AGF Germany Class
AGF Global Equity Class
AGF Global Perspective Class (formerly, AGF MultiManager Class)
AGF International Stock Class
AGF International Value Class
AGF International Value Fund
AGF Japan Class
AGF RSP American Growth Fund
AGF RSP European Equity Fund
AGF RSP Global Perspective Fund (formerly, AGF RSP MultiManager Fund)
AGF RSP International Value Fund
AGF RSP Japan Fund
AGF RSP World Companies Fund
AGF Special U.S. Class
AGF U.S. Value Class
AGF World Companies Fund
AGF World Opportunities Fund
AGF Canadian Resources Fund Limited
AGF Global Financial Services Class
AGF Global Health Sciences Class
AGF Global Real Estate Equity Class
AGF Global Resources Class
AGF Global Technology Class
AGF Precious Metals Fund
AGF Canadian Balanced Fund
AGF Canadian Real Value Balanced Fund
AGF RSP World Balanced Fund
AGF World Balanced Fund
AGF Canadian Bond Fund
AGF Canadian Conservative Income Fund
AGF Canadian High Yield Bond Fund (formerly, AGF Canadian Total Return Bond Fund)
AGF Canadian Money Market Fund
AGF Global Government Bond Fund
AGF Global High Yield Bond Fund (formerly, AGF Global Total Return Bond Fund)
AGF RSP Global Bond Fund
AGF Short-Term Income Class
AGF U.S. Dollar Money Market Account (only offers Mutual Fund Series Securities)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 15, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
Mutual Fund Series, Series D, Series F and Series O Securities
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
-
Project #747012

Issuer Name:
Black Point Capital Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated April 21, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
A minimum of 10,000,000 Units and maximum of 25,000,000 Units at a price of $0.20 per Unit Price : $0.20 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
First Associates Investments Inc.
Jennings Capital Inc.
Promoter(s):
Nancy Orr
Project #725486

Issuer Name:
BMO T-Bill Fund
BMO Money Market Fund
BMO AIR MILES Money Market Fund
BMO Premium Money Market Fund
BMO Mortgage and Short-Term Income Fund
BMO Bond Fund
BMO Monthly Income Fund
BMO Global Bond Fund
BMO International Bond Fund
BMO Global Monthly Income Fund
BMO Asset Allocation Fund
BMO Dividend Fund
BMO Equity Index Fund
BMO Equity Fund
BMO RSP U.S. Equity Index Fund
BMO U.S. Growth Fund
BMO U.S. Value Fund
BMO RSP International Index Fund
BMO International Equity Fund
BMO NAFTA Advantage Fund
BMO European Fund
BMO Japanese Fund
BMO Special Equity Fund
BMO U.S. Special Equity Fund
BMO Resource Fund
BMO Precious Metals Fund
BMO Global Science & Technology Fund
BMO RSP Global Science & Technology Fund
BMO Emerging Markets Fund
BMO U.S. Dollar Money Market Fund
BMO U.S. Dollar Bond Fund
BMO U.S. Dollar Monthly Income Fund
BMO U.S. Dollar Equity Index Fund
BMO Short-Term Income Class
BMO Dividend Class
BMO Canadian Equity Class
BMO Global Balanced Class
BMO U.S. Equity Class
BMO Global Equity Class
BMO Greater China Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 21, 2005
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
Mutual Fund Units and Mutual Fund Shares at Net Asset Value
Underwriter(s) or Distributor(s):
BMO Investments Inc.
BMO Investments Inc.
Promoter(s):
-
Project #732315

Issuer Name:
Greenwich Global Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 25, 2005
Offering Price and Description:
MINIMUM OFFERING: $200,000.00 or 2,000,000 Common Shares; MAXIMUM OFFERING: $300,000.00 or 3,000,000 Common Shares PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Pacific International Securities Inc.
Promoter(s):
Daniel F. Hachey
Project #746225

Issuer Name:
HSBC Financial Corporation Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated April 22, 2005
Mutual Reliance Review System Receipt dated April 22, 2005
Offering Price and Description:
$2,000,000,000.00 - Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
HSBC Securities (Canada) Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #762877

Issuer Name:
ING Canadian Bond Fund
ING Canadian Balanced Fund
ING Canadian Equity Fund
ING Canadian Small Cap Equity Fund
ING US Equity Fund
ING US Equity RSP Fund
ING Global Equity Fund
ING Global Equity RSP Fund
ING Europe Equity Fund
ING Canadian Financial Services Fund
ING Canadian Resources Fund
ING Global Brand Names Fund
ING Canadian Money Market Fund
ING Austral-Asia Equity Fund
ING Japan Equity Fund
ING Emerging Markets Equity Fund
ING Global Technology Fund
ING Global Communications Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 8, 2005 to Final Simplified Prospectuses and Annual Information Forms dated November 18, 2004
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ING Investment Management Inc.
Project #696750

Issuer Name:
ING Canadian Dividend Income Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 8, 2005 to Final Simplified Prospectus and Annual Information Form dated April 22, 2004
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ING Investment Management Inc.
Project #620596

Issuer Name:
Initial Capital Inc.
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated April 6, 2005
Mutual Reliance Review System Receipt dated April 20, 2005
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Gregory R. Harris
Richard Boxer
Bernie Kraft
Project #735981

Issuer Name:
Ivernia Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 20, 2005
Offering Price and Description:
C$45,027,500.00 - 29,050,000 Common Shares Price: C$1.55 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Cannaccord Capital Corporation
Paradigm Capital Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #761398

Issuer Name:
Lara Exploration Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated April 25, 2005
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
$800,000.00 - 2,000,000 Units(1)(2) Price: $0.40 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Quest Capital Corp.
Project #744998

Issuer Name:
March Networks Corporation
Principal Regulator - Ontario
Type and Date:
Final Base PREP Prospectus dated April 20, 2005
Mutual Reliance Review System Receipt dated April 20, 2005
Offering Price and Description:
$ * - 5,520,183 Common Shares Price: $ * per common share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Evolution Securities Limited
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #747716

Issuer Name:
Pinnacle Balanced Income Portfolio
Pinnacle Conservative Balanced Growth Portfolio
Pinnacle Balanced Growth Portfolio
Pinnacle Conservative Growth Portfolio
Pinnacle Growth Portfolio
Pinnacle All Equity Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 22, 2005
Mutual Reliance Review System Receipt dated April 25, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Scotia Capital Inc.
Project #753552

Issuer Name:
Rockwater Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 21, 2005
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
$29,000,002.00 - 5,686,275 Common Shares Price: $5.10 per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
First Associates Investments Inc.
CIBC World Markets Inc.
GMP Securities Ltd.
Scotia Capital Inc.
Genuity Capital Markets
Sprott Securities Inc.
Promoter(s):
-
Project #728861

Issuer Name:
Sceptre Equity Growth Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated April 20, 2005 to Final Simplified Prospectus and Annual Information Form dated August 18, 2004
Mutual Reliance Review System Receipt dated April 26, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sceptre Investment Counsel Limited
Promoter(s):
Sceptre Investment Counsel Limited
Project #667636

Issuer Name:
THE GOODWOOD CAPITAL FUND
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 15, 2005 to Final Simplified Prospectus and Annual Information Form dated January 19, 2005
Mutual Reliance Review System Receipt dated April 21, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Goodwood Inc.
Goodwood Inc.
Promoter(s):
Goodwood Inc.
Project #720956

Issuer Name:
Utility & Pipe Split Corp.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated March 2nd, 2005
Withdrawn on April 20th, 2005
Offering Price and Description:
$ * - $ * (Maximum) - * Capital Shares; $ * (Maximum) - * Preferred Shares
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc,
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #745064

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Industrial Alliance Securities Inc.	Investment Dealer (Equities & Options)	April 21, 2005
Change in Category	Eosphoros Asset Management Incorporated	From: Investment Counsel and Portfolio Manager To: Limited Market Dealer and Investment Counsel and Portfolio Manager	April 22, 2005
Change in Category	Epic Capital Management Inc.	From: Investment Counsel and Portfolio Manager To: Limited Market Dealer and Investment Counsel and Portfolio Manager	April 26, 2005
Change in Category	City of London Investment Management Company Limited	From: International Adviser (Investment Counsel and Portfolio Manager) To: International Adviser (Investment Counsel and Portfolio Manager) and Limited Market Dealer (Non-Resident)	April 19, 2005

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Market Integrity Notice - Request for Comments - Provisions Respecting "Off-Marketplace" Trades

April 29, 2005

REQUEST FOR COMMENTS

PROVISIONS RESPECTING "OFF-MARKETPLACE" TRADES

Summary

On April 1, 2005, the Board of Directors of Market Regulation Services Inc. ("RS") approved a series of revised amendments (the "Revised Proposal") to the Universal Market Integrity Rules ("UMIR") and the Policies respecting:

- the ability of Participants and Access Persons to conduct trades of listed or quoted securities other than by the entry of orders on a marketplace;
- the procedure for the execution of certain pre-arranged trades and intentional crosses and certain trades made to satisfy "best price" obligations; and
- various related and consequential amendments.

In particular, the Revised Proposal would:

- would change the relevant time to determine compliance with "best price" obligations from the time of order entry to the time of order execution;
- provide guidance on the "reasonable efforts" expected of a Participant under its best price obligation when a trade executes on one marketplace and better-priced orders are indicated on a consolidated market display for another marketplace;
- provide a mechanism to cap the obligation to fill better-priced orders to the disclosed volume of better-priced orders indicated on a consolidated market display in the case of certain pre-arranged trades or intentional crosses (defined in the amendments as a "designated trade");
- clarify and modify the obligations to "move the market" when the trade would not qualify for a cap on the displacement obligation; and
- make a number of additional consequential changes to UMIR including the provision of definitions for the terms: "Canadian account"; "disclosed volume"; "non-Canadian account", "organized regulated market"; "pre-arranged trade" and "trading increment".

RS published the initial version of the proposed amendments in Market Integrity Notice 2004-018 issued on August 20, 2004 (the "Original Proposal"). A provision in the Original Proposal that would require an Access Person to make reasonable efforts to fill better-priced orders on marketplaces prior to executing a trade at an inferior price has been deleted from the Revised Proposal. The concept of trade-through obligations of a Participant or an Access Person will be published as part of a separate proposal.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and in Quebec by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of the National Instrument 21-101 ("Marketplace Operation Instrument") and National Instrument 23-101 ("Trading Rules").

As a regulation services provider, RS will administer and enforce trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any

marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSX V") and Canadian Trading and Quotation System ("CNQ"), each as a recognized exchange ("Exchange"); and for Bloomberg Tradebook Canada Company ("Bloomberg") and Liquidnet Canada Inc., each as an alternative trading system ("ATS").

The Rules Advisory Committee of RS ("RAC") reviewed the proposed amendments respecting "off-marketplace" trades and recommended their adoption by the Board of Directors. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The amendments to the Rules and Policies will be effective upon the approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the proposed changes to UMIR should be in writing and delivered by **May 30, 2005** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: 416.595.8940
e-mail: cpetlock@osc.gov.on.ca

Nature, Purpose and Effect of the Revised Proposal

Current Requirements

UMIR requires dealers who have access to a Canadian marketplace to trade in securities only by means of the entry of an order on a Canadian marketplace unless the trade specifically is exempted from that requirement. When trading on behalf of a client, a dealer is not able to bypass "better-priced" orders on a marketplace to which the Participant has trading access in order to trade at an inferior price over-the-counter, on a foreign market or on another marketplace. A dealer is able to complete principal trades with a Canadian client account on an "organized regulated market" outside of Canada provided the dealer has first met its obligation to the Canadian market by filling the "better-priced" orders on Canadian marketplaces as disclosed in a consolidated market display.

Currently, a dealer when completing a pre-arranged trade or a wide distribution of significant blocks of stock must deal with the uncertainties created over the amount of "interference" which the execution of the trade may encounter from "iceberg orders" (orders with an undisclosed volume) if the dealer must "move" the market for the security to facilitate the transaction on a marketplace. The "unknowns" surrounding the possible presence of iceberg orders distort pricing and fee arrangements.

For the purposes of UMIR, a "marketplace" is defined as an Exchange, a recognized quotation and trade reporting system ("QTRS") or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. UMIR permits the entry of an order other than on a marketplace, including the entry of an order outside of Canada, under the conditions specifically enumerated in Rule 6.4. However, even though the order may be exempt from having to be entered on a marketplace, certain provisions of UMIR will continue to apply to a Participant entering the order. For example, Rule 2.1 of UMIR requires a

Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace.

In certain circumstances, a Participant may agree to take on a block of stock of a listed or quoted security from a shareholder at a discount to the prevailing market. Ordinarily, this trade would be completed by the execution of an order on a marketplace (being an Exchange, a QTRS or an ATS in Canada). However, if the person from whom the block of stock is acquired is:

- a "non-Canadian account" the Participant can complete the trade outside of Canada (including in an over-the-counter transaction) provided "such trade is reported to a marketplace or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market" as permitted by Rule 6.4(e) of UMIR; and

- a "Canadian account" the Participant can execute the trade "on another exchange or organized regulated market that publicly disseminates details of trades in that market" as permitted by Rule 6.4(d) of UMIR.

If these trades are executed other than on a marketplace, the price at which such a trade may be executed will be governed by the requirements applicable in the jurisdiction of the exchange or market.

If the Participant has acquired the block of securities in anticipation of undertaking a "wide distribution" in accordance with the rules of the TSX, either a specific exemption is granted from the requirement that the purchase be conducted on a marketplace or the acquisition is covered by one of the enumerated exemptions from that requirement contained in Rule 6.4. A specific exemption will normally be granted by RS pursuant to Rule 6.4 in recognition of the fact that the Participant will be undertaking a sale of the block to not less than 25 separate and unrelated accounts with no one account participating to the extent of more than 50% of the value of the sale. Wide distributions are seen as a mechanism to enhance the public float of a security by increasing the spectrum of investors holding the security. Increasing the number of sizable (but not significant shareholders) of a security leads to greater visibility and interest in a security that ultimately contributes to liquidity and depth in the market for a security. In turn, liquidity and depth contribute to the maintenance of a "fair and orderly" market.

Under a wide distribution on the TSX, the Participant must allocate up to 20% of the volume to fill "better-priced orders" entered on the TSX at the same price at which the remainder of the block will be distributed. Given the mechanics of the TSX trading system, such wide distributions are normally undertaken immediately following the close of the regular trading session. In this way, the wide distribution is normally completed at a price which is at a discount to the closing price but better-priced orders in the regular trading book at the close have the opportunity to participate in the distribution (subject to the 20% cap on the amount of the block which the Participant must allocate for this purpose). Once all better-priced orders have been satisfied or the 20% allocation has been exhausted, all other trades in the wide distribution can occur outside of the market "spread".

If the Participant is not undertaking the trades as a wide distribution, the Participant would be under an obligation to "move the market" to an appropriate price at which the Participant could cross the block (if the Participant was acting as agent for both the purchase and the sale) or cross the purchase and also the subsequent sale (if the Participant was acting as principal on both the purchase and the subsequent sale).

In March of 2002, the TSX introduced "iceberg orders" which permit only a portion of the volume of an order to be disclosed in the book or on the consolidated market display. Since commencing operations in July of 2003, CNQ has permitted iceberg orders. The TSX V amended its rules to permit iceberg orders effective upon receipt of required regulatory approvals on October 29, 2003. There is no provision for iceberg orders in the Bloomberg trading system.

Currently on the TSX, if the disclosed portion of the iceberg order executes, a portion of the balance of the order automatically emerges (with time priority established by the time at which the previously hidden volume is disclosed). The introduction of this feature has complicated the ability of Participants to accurately determine the volume which may be required to be satisfied as "better-priced orders" in a wide distribution or otherwise displaced as part of an orderly movement of the markets. When the Participant agrees to take on the block from the shareholder and place the block with institutional clients of the Participant, the Participant wants to be able to satisfy the requirements of the institutional clients at the price that has been agreed upon without any "leakage" to fill other orders in the market. In part, because of this uncertainty, Participants have attempted to use foreign markets to execute or report block trades. In doing so, Participants, acting as principal, have been able to bypass better-priced orders then existing on the TSX. Similarly, this ability to bypass better-priced orders would also apply if the better-priced orders were on any Exchange, QTRS or ATS.

Rationale for the Priority of Better-Priced Orders

UMIR contemplates that Participants will have "reasonable access" to better-priced orders and that each Participant will take "reasonable efforts" to ensure that client orders are executed at the "best bid price" in the case of a sale for a client and at the "best ask price" in the case of a purchase for a client. UMIR does not provide for "blanket" trade-through protection, better-

priced orders can not be intentionally bypassed when trading on behalf of a client except when access, transaction costs or other factors warrant the trade through.

UMIR recognizes that marketplaces may have special trading facilities and, as such, contains a number of exceptions which may permit certain types of trades to occur at prices other than the prevailing market at the time of the trade. The exceptions and the policy rationale for the provision of each of the exceptions are set out in greater detail under the subheading "Trades Outside the Prevailing Market".

Rule 6.4 of UMIR is designed to provide pre-trade and post-trade transparency and "best price" executions by requiring that all trades by a Participant to be undertaken by means of the entry of an order on a marketplace unless otherwise specifically exempted. Rule 6.4 does not prefer any single marketplace to another. Indeed, Rule 6.4 of UMIR specifically recognizes that trades also may be undertaken in foreign markets which are regulated and which disseminate details of trades. "Best price" should not been seen as a concept which applies only to one side of a trade. Both the buyer and the seller must be obtaining "best price". Rule 5.2 of UMIR ensures that trades between client orders of a Participant meet this standard.

A number of other UMIR provisions are premised on the expectation that the best-priced order will be executed first regardless of the marketplace on which that order is entered.

Order Exposure Obligations

Under UMIR, if a Participant receives a client order for 50 standard trading units or less with a value of $100,000 or less the Participant must, subject to certain exceptions listed in Rule 6.3 of UMIR, enter the client order on a marketplace. For the purposes of UMIR, 50 standard trading units would be: 5,000 units of a security trading at $1.00 or more per unit; 25,000 units of a security trading at $0.10 or more per unit and less than $1.00 per unit; and 50,000 units of a security trading at less than $0.10 per unit.

In accordance with the provisions of Rule 6.3, the Participant may execute the client order upon receipt at a better price than orders indicated in a consolidated market display. If the Participant executes the client order against a principal order or non-client order at a better price, Rule 8.1 of UMIR requires that the Participant must have taken reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market at the time.

The order exposure rule was designed to ensure that clients received the "best price" by:

- requiring the orders to be immediately exposed to the "marketplace" rather than being held by a Participant to be matched internally with future order flow; and
- supporting the price discovery mechanism.

Use of "Last Sale Price"

A number of rules in UMIR (such as the rules on short sales, market stabilization and market balancing) employ the standard of the "last sale" price. In each of these cases, the premise underlying the particular rule is that the "best-priced" order executes first regardless of the marketplace on which that order is entered. This priority to the execution of orders ensures the working of the "price discovery" mechanism such that the last sale price disclosed on a consolidated market display represents the best approximation of market value of a security at that point in time. In approving recent amendments to the rules on market stabilization and market balancing (see Market Integrity Notice 2005-007 – Notice of Amendment Approval – Amendments Respecting Trading During Certain Securities Transactions – March 4, 2005), the Recognizing Regulators accepted that the "last sale price" represented a better measure of the current market for a security than the "best bid price". Similarly, the Ontario Securities Commission adopted the "last sale price" as the test in their OSC Rule 48-501 which contains similar trading restrictions to those adopted with the amendments to UMIR.

Trades Outside the Prevailing Market

Rule 5.2 of the UMIR requires that a Participant make reasonable efforts to ensure that a client order is executed at the "best bid price" in case of a sale by the client and the "best ask price" in the case of a purchase by the client. Each of the best bid price and the best ask price is determined by reference to a consolidated market display containing order information from each marketplace.

UMIR provides a number of exceptions from the requirement to trade at the best prevailing price as outlined in the following table. Generally speaking, these exceptions are for particular order types for which the exact price of the trade is not known at the time of the entry or the execution of the order and include: a Call Market Order, a Market-on-Close Order, an Opening Order and a Volume-Weighted Average Price Order. In addition, UMIR permits the execution of a Special Terms Order at a price

other than the "best price" due to the presence of conditions attached to the execution of the order. UMIR also permits the execution of an order at other than the best price if exemption has been specifically granted by RS or another Market Regulator.

Order Type	Description of Order Type	Rationale for Exemption
Regulatory Exemption	An order that a Market Regulator requires or permits be executed other than on a marketplace in order to maintain a fair or orderly market.	Ordinarily a regulatory exemption is granted where the circumstances of the trade are such that the volume of the trade would cause a disruption to the market or which in accordance with securities legislation can not be completed in the open market. The most common example of this exemption is in the context of a control block distribution or an exempt take-over bid that is not made to the public at a price not exceeding 115% of the market price.
Special Terms Order	An order for the purchase or sale of a security: • for less than a standard trading unit; • the execution of which is subject to a condition other than as to price or date of settlement; or • that on execution would be settled on a date other than in the ordinary settlement period or special period established by an Exchange or QTRS.	This exemption permits Special Terms Orders to trade outside the prevailing market because of the conditions which have been attached to the order or because the order is for less than one standard trading unit. (This exemption permits an odd lot order on the TSX V to trade at the established discount or premium to market prices.) The exemption does not apply if the Special Terms Order could be executed in whole in accordance with its terms or if the rules of the Exchange or marketplace otherwise provide. (For example, the rules of the TSX require odd lots to trade at the market price in accordance with obligations imposed on market makers.)
Basis Order	An order for the purchase or sale of listed securities or quoted securities for which notice has been provided to a Market Regulator prior to entry and the price of the resulting trade is determined in a manner acceptable to a Market Regulator based on price achieved in one of more derivative transactions.	This exemption recognizes that the trade undertaken on the "equity" marketplace is based on prices achieved in one or more transactions in a derivative instrument listed on an Exchange or quoted on a QTRS. As such, the reported price represents a "true market price" determined by the trading of securities in another marketplace, which currently is the derivatives market of the Montreal Exchange. A Market Regulator must be satisfied as to the manner of the determination of the price.
Call Market Order	An order for the purchase or sale of one or more particular securities that is entered on a marketplace on a trading day to trade at a particular time or times established by the marketplace during that trading day at a price established by the trading system of the marketplace.	On the entry of a Call Market Order the price at which the trade will occur is not known. The price of the trade will be calculated by the trading system of the marketplace at the time designated by the marketplace. Since the price at which the trade will occur is not known at the time of the entry of a Call Market Order and the determination of the price is beyond the direct control of the parties to the trade, the execution of a Call Market Order at a price other than the prevailing price is not considered an attempt to bypass the market.
Market-on-Close Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing at the closing price of the security on that marketplace on that trading day.	Execution of this type of order guarantees the parties that the trade will occur at the closing price on a particular market. At the time of the execution, this price is not determinable. Nonetheless, the closing price on a particular marketplace may be outside the prevailing market prices as indicated in a consolidated market display. This exemption permits these trades to be made at the last sale price. Presently, this exemption extends to Special Trading Session Orders (STS Orders) on the TSX.
Opening Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of calculating and executing at the opening price of the	Each marketplace will be able to establish its own formula for the determination of opening prices. The so-called "calculated opening price" may vary right up to the time of the initial trade. In these circumstances, an order which has been specifically

Order Type	Description of Order Type	Rationale for Exemption
	security on that marketplace on that trading day.	entered to trade on a particular marketplace at the opening may trade at a price which is different from the opening price on another marketplace that opens at the same time or the prevailing price on a marketplace that it then already open for business. At the time of the entry of the order, the "opening" price is not known (though "indications" of the opening price may be publicly disclosed). An Opening Order will not have been entered in an attempt to bypass a "better" market price.
Volume-Weighted Average Price Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing trades at an average price of the security traded on that trading day on that marketplace or on any combination of marketplaces known at the time of the entry of the order.	When a Volume-Weighted Average Price Order executes the price will be determined by a formula that measures average price on one or more marketplaces for trades occurring after the execution of the Volume-Weighted Average Price Order. As such, the final price may be outside the context of the market at the end of the trading session but this fact would not have been determinable at the time of the execution of the order.

Where two or more marketplaces have the same price, trades may be executed on any of such marketplaces. Similarly, if a marketplace has more than one order at the same price, each marketplace will adopt its own allocation rules as to which orders will trade first. Allocations made by a marketplace are subject to the provisions of the client priority requirements set out in Rule 5.3 of UMIR.

Exemptions for "Wide Distributions"

Presently, each Exchange and QTRS may establish its own rules for the qualification of a "wide distribution" through the facilities of that Exchange or QTRS. An ATS is not entitled to have rules governing such matters as wide distributions. However, if the objective is to maintain the integrity of the "consolidated market display", no marketplace should have a provision that could have the effect of bypassing "better-priced" orders on any marketplace.

The TSX has therefore indicated that if the proposal with respect to designated trades is adopted in UMIR that the TSX would repeal its existing rules and policies with respect to "wide distributions". If the proposed amendments to UMIR are implemented to permit "designated trades", it would be the intention of RS not to grant any requested exemptions from UMIR that may be required by a Participant seeking to employ the wide distribution rules of the TSX or comparable provisions of any other marketplace.

Use of Iceberg Orders

Iceberg orders presently are permitted on the TSX and the TSX V has received regulatory approval to introduce iceberg orders. Based on trading information on the TSX for the period May 1, 2003 to January 8, 2004, iceberg orders accounted for 5.99% of orders by volume with the undisclosed portion of iceberg orders accounting for 4.75% of order volume. Iceberg orders were slightly more likely to participate in trades during this period accounting for 6.88% of trades by volume and 6.77% of trades by value. During the period, the disclosed portion of iceberg orders was approximately 20.66% of the total volume of iceberg orders and approximately 22.4% of the total value of iceberg orders.

Based on a one day sample orders on the TSX for the five securities that during the period July to December of 2003 were the most likely to trade in large blocks, the undisclosed volume represented 6.46% of overall order volume or 7.61% of the disclosed order volume. The sample of securities also indicated that iceberg orders are most prevalent within 5% of the last sale price (where they were 10.89% of the disclosed order volume within that price range). In the sample, there were no iceberg orders at prices which were more than 10% away from the last sale price. The sample of order data was taken at four times during a trading day (open; 11:30 a.m.; 2:30 p.m. and the close) and the undisclosed order volume as a percentage of disclosed order volume increased throughout the trading day (from a low of 6.87% at the open to 14.78% at the close). The sample also disclosed significant variations in the use of iceberg orders among the securities that had been identified as the ones most likely to trade in large blocks. In one case, no iceberg orders were entered at any of the four sample times. For another security, the undisclosed portion of iceberg orders represented approximately 49% of the disclosed volume of orders at the close within 5% of the last sale price.

Summary of Revisions to the Original Proposal

Based on comments received in response to the Request for Comments contained in Market Integrity Notice 2004-018 and based on comments received from the Recognizing Regulators, RS has revised the proposed amendments. The changes to

the Revised Proposal from the Original Proposal are set out in Appendix "B". In summary, the Original Proposal has been revised by:

- deleting from the proposal the provisions to extend to an Access Person the requirement to take reasonable steps to honour better-priced orders on a marketplace;
- deleting from the proposal suggested additions to the Policy under Rule 2.1 as these proposals will be encompassed as part of a separate initiative on trade-through obligations;
- clarifying in the policy that the reasonable effort which would required of a Participant to ensure "best price" would be the entry of orders on marketplaces to which the Participant has access to the extent of the disclosed volume of the "better-priced orders" at the time of the entry of the order;
- amending the concept of the "designated block trade" by deleting the requirement that the order be of a significant size (e.g. have a value of not less than $25,000,000 or constitute 10% or more of the issued and outstanding shares);
- eliminating the proposed reporting requirements for trades that would have qualified as a "designated block trade" that were executed other than on a marketplace;
- providing a definition of a "pre-arranged trade";
- providing for a new order marker that would indicate that the order is able to "bypass" undisclosed volume of better-priced orders; and
- making a number of drafting changes to provide greater clarity and consistency of language.

Summary of the Impact of the Revised Proposal

The principal impacts of the proposed amendments would be to:

- address the "uncertainties" surrounding the ability of a Participant to "move the market" as a result of the presence of iceberg orders by providing a "cap" on the displacement obligation when undertaking certain pre-arranged trades or intentional crosses (defined in the proposal as a "designated trade") such that there would be no obligation to fill the undisclosed volume of an iceberg order;
- eliminate the need for "wide distributions" as provided for in the rules of the TSX or similar provisions of other marketplaces;
- specifically incorporate in the text of UMIR definitions of various phrases including:
    - "Canadian account",
    - "designated trade",
    - "disclosed volume",
    - "non-Canadian account",
    - "organized regulated market",
    - "pre-arranged trade", and
    - "trading increment";
- amend the formula to be used to determine when a "better price" exists on a foreign market and for reporting trades agreed to in a foreign currency; and
- provide that the undisclosed portion of the volume of an iceberg order will be ignored in trade allocations when an order is entered:
    - as a "designated trade",

- to satisfy an obligation to fill an order with a better price in accordance with the requirements respecting "trade-through" (Rule 2.4), or
- to obtain the "best price" for a client order (Rule 5.2).

Summary Description of the Revised Proposal

Definition of "Canadian account" and a "non-Canadian account"

The amendments under the Revised Proposal would define a "non-Canadian account" as an account of a client of a Participant and the client is considered to be a non-resident of Canada for the purposes of the *Income Tax Act* (Canada). This definition is easily verifiable as a Participant must determine the tax status of each account for the purposes of establishing the obligation of the Participant to withhold taxes from distributions of dividends and interest allocated by the Participant to each account. This definition also effectively adopts the interpretation which RS have provided for the term.

The amendments also propose a definition of a "Canadian account" in order to clarify that there are not more than two possible categories. If an account is not a "non-Canadian account" it would be considered a "Canadian account". As such, if there is any doubt as to the status of an account, it would be treated as a Canadian account (and the exemption for an off-marketplace trade involving a non-Canadian account provided in clause (e) of Rule 6.4 would not be available when trading with or on behalf of the account.)

Definition of "Designated Trade"

The Revised Proposal would replace the definition of "designated block trade" with the concept of "designated trade". Both definitions would include an intentional cross or a pre-arranged trade of a listed security of a quoted security made at a price that:

- would not be less than the lesser of:
  - 95% of the best bid price; and
  - 10 trading increments less than the best bid price; and
- would not be more than the greater of:
  - 105% of the best ask price, and
  - 10 trading increments more than the best ask price.

The differences between the two definitions is the elimination of the requirement in the definition of "designated trade" that the trade have a value of $25,000,000 or constitute 10% or more of the issued and outstanding securities of a listed security or quoted security.

Based on trading information from early 2004, there are approximately 3 to 4 trades a day on the TSX with a value in excess of $25,000,000 and no trades on TSX V or CNQ of this size. No estimate is available of the number of trades which may involve more than 10% of the issued and outstanding securities of an issuer.

One of the amendments made to the Marketplace Operation Instrument in 2004 eliminated the requirement that each marketplace maintain an electronic connection to every other marketplace trading the same security. One of the by-products of this change is the practical difficulty of orders "migrating" between markets to trade at a better price. In recognition of these difficulties, RS has proposed that the "reasonable effort" which would be required of a Participant to ensure "best price" would be the entry of orders on marketplaces to which the Participant has access to the extent of the disclosed volume of the "better-priced orders" and that such order entry should be concurrent with or immediately following the execution of the initial trade at the "inferior price". The obligation of the Participant would not exceed the volume of the trade at the "inferior price".

If the obligation to "better-priced" orders on other marketplaces under Rule 5.2 is limited to the disclosed volume, the next logical question is whether a pre-arranged trade or intentional cross should be able to by-pass undisclosed volume on the market on which the pre-arranged trade or intentional cross is entered. If this is not permitted, there would be an incentive to enter such trades on "another" marketplace in order to limit the obligation in accordance with the test for "reasonable efforts" that is recommended under Rule 5.2. If a pre-arranged trade or intentional cross is able to by-pass undisclosed volume on the "same marketplace", the "block" component of the concept of the "designated block trade" becomes redundant and can be deleted from the proposal as all pre-arranged trades or intentional crosses would be able to by-pass undisclosed volume at better-prices on the same or other marketplaces.

The "designated block trade" was designed such that special rules would apply to a very few large trades and that the processing of these trades could, if necessary, be handled manually by the marketplace. The adoption of the broader approach described above would necessitate programming changes by each of the marketplaces and the introduction of a marker to indicate that an order should only trade against "disclosed volume". The "bypass" marker would apply to:

- orders entered on "another" marketplace to fulfil the "best price" obligation; and
- "designated trades" (pre-arranged trades and intentional crosses on a marketplace at a price within 5% of the current market spread).

Definition of "Disclosed Volume"

Disclosed volume at better than the price of the intended trade would exclude:

- the undisclosed portion of any iceberg order;
- a Special Terms Order unless the order could be executed in whole, according to the terms of the order;
- a Basis Order;
- a Call Market Order;
- a Volume-Weighted Average Price Order;
- a Market-on-Close Order; or
- an Opening Order.

The definition of disclosed volume is applicable for determining the obligation to better-priced orders when entering:

- a designed trade under Policy 2.1; and
- an order to satisfy the "best price" obligation under Rule 5.2.

Where the designated trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of the marketplace on which the designated trade is to be executed (as this would ensure that the disclosed volume reflected all "after hours" news regarding the market generally or the particular issuer whose securities were included in the designated trade).

Definition of "Organized Regulated Market"

The amendments under the Revised Proposal would specifically provide a definition of an "organized regulated market" as a market outside of Canada:

- that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with an ordinary member of the International Organization of Securities Commissions;
- on which the entry of orders and the execution of trades is monitored for securities regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor its own market;
- that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market's details of at least the price, volume and security identifier in respect of each order at the time of entry of the order and in respect of each trade at the time of execution or reporting of the trade on that market; and
- that excludes a facility of a market to which trades executed over-the-counter are reported unless:
    - the trade is required to be reported and is reported to the market forthwith following execution,

- at the time of the report, the trade is monitored for compliance with securities regulatory requirements, and
- at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

When a Participant is trading a listed security or quoted security outside of Canada, the trade should be conducted on a market that has substantially the same regulatory monitoring and dissemination of data to the public as would be present if the trade had been conducted on a marketplace in Canada. The definition of "organized regulated market" under the Revised Proposal will exclude certain bulletin boards (in particular, the "Pink Sheets") and reporting facilities (such as the Automated Confirmation Transaction Services ("ACT") operated by Nasdaq and the Trade Reporting and Comparison Services ("TRACS") operated by the National Association of Securities Dealers for those members that participate in the Alternative Display Facility).

The OTC Bulletin Board is an automated trading system that permits dealers to voluntarily post quotes subject to NASD rules. The prices and quotes are available to the public, with a data feed available to data vendors. All trades must be reported to NASD within ninety seconds and information of each trade is printed, or if made after hours, the next trading day. If the trade is made after NASD hours, the trade is not printed nor is there "real time" surveillance of the trading activity. In this context, the OTC Bulletin Board would constitute an "organized regulated market" under the Revised Proposal during the period of operation when trades must be reported within ninety seconds. At all other times, the OTC Bulletin Board would not meet the requirements of the definition.

Definition of "pre-arranged trade"

The Revised Proposal introduces a definition of a "pre-arranged trade" as a trade for which the terms of the trade were agreed upon, prior to the entry of either the order to purchase or to sell on a marketplace, by the persons entering the orders or by the persons on whose behalf the orders are entered. Orders which have been matched in the "upstairs market" would be considered to be a pre-arranged trade. Similarly, a Participant that receives client instructions to "cross" with a particular order where the clients have agreed to pursue the transaction would be entering a "pre-arranged trade".

Definition of "trading increment"

If adopted, the amendments under the Revised Proposal will permit the immediate execution of orders that are not more than 10 trading increments below the best bid price or not more than 10 trading increments above the best ask price. Under the amendments, the ability to undertake an immediate trade would also depend on the percentage difference of the intended trade price from the best ask price and best bid price. The definition of a "trading increment" under the Revised Proposal will be the minimum difference in price at which orders may be entered on a marketplace in accordance with Rule 6.1. Under the Revised Proposal, Rule 6.1 will set out the minimum trading increment as one cent for orders with a price of $0.50 or more and one-half cent for orders less than $0.50. The standardization of minimum trading increments will permit the direct comparison of whether an order on a particular marketplace is a "better-priced" order and allow a Participant to determine whether a period of time to move the market is required in order to execute an intentional cross or prearranged trade. The Revised Proposal provides for the reporting of trades resulting from Call Market Orders or Volume-Weighted Average Price Orders at an increment of one-half of one cent.

Best Price Obligation

Part 2 of Policy 5.2 as set out in the Revised Proposal would provide that a Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the "best bid price" and "best ask price" displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.

The Revised Proposal moves the exemption provided when a Participant is handling an order for a non-Canadian account from the Policy to be a specifically enumerated exemption in Rule 5.2.

If on the entry of a client order by a Participant on a marketplace, all or part of that client order could be executed immediately against better-priced orders indicated in a consolidated market display, the "best price" obligation would require that the Participant make reasonable efforts to obtain the "best price" for the client. If the client order is being executed as a pre-arranged trade or intentional cross that would qualify as a designated trade, the disclosed volume of any better-priced orders would have to be filled by the Participant as part of its obligations under Part 2 of Policy 2.1.

Execution of a Pre-Arranged Trade or Intentional Cross

Presently, Policy 2.1 requires an orderly movement of the market over a period of time if the price movement in a security is at least $1.00 or $2.00 in the case of stocks trading above $20.00. The Policy provides that a period of 10 to 15 minutes be allowed for each movement of $1.00 in price. This Policy presently applies to any trade executed by a Participant or Access Person.

These amounts provided under the current Policy are not appropriate to govern the price movement of "penny stocks" or "high-priced stocks" (in particular stocks trading at $50.00 or above). The Revised Proposal would introduce a sliding scale. If the price would move the market the greater of 10 price increments and either 5% above the best ask price or 5% below the best bid price, the Participant would be required to enter orders over a period of not less than 5 minutes in order to move the market in an orderly fashion. In keeping with the notion of a sliding scale, a period of not less than 10 minutes "to move the market" would be required if the price movement is more than 10%. The Revised Proposal would limit the obligation to a Participant or Access Person entering a pre-arranged trade or intentional cross (rather than "any" trade as is currently the requirement). If the price at which an intended trade is to be made would require that the market price be moved over time, the prior consent of a Market Regulator will be required to enter the order on a marketplace.

If the price of the pre-arranged trade or intentional cross is within the 5% price threshold the trade would qualify as a "designated trade" and the prior consent of a Market Regulator will not be required. As a designated trade, the trade may execute on a marketplace if:

- orders included in the disclosed volume on the marketplace on which the designated trade is entered are filled prior to the execution of the designated trade; and
- the Participant enters orders on another marketplace with a sufficient volume and at a price to fill the orders included in the disclosed volume of that other marketplace concurrent with, or immediately following the execution of the designated trade.

If the designated trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an "off-marketplace" trade and to report the trade to a marketplace.

"Bypass" Order Marker

Under the Revised Proposal, the undisclosed portion of the volume of an iceberg order will be ignored or "bypassed" when an order is entered:

- as a "designated trade";
- to satisfy an obligation to fill an order with a better price in accordance with the requirements respecting "trade-through" (Rule 2.4); or
- to obtain the "best price" for a client order (Rule 5.2).

If a Participant or Access Person is "moving the market" to execute a trade, the undisclosed portion of an iceberg order which is at a better price will be executed in full before the Participant or Access Person will be able to execute the intentional cross or pre-arranged trade.

Under the Original Proposal, the undisclosed volume of an iceberg order would only be bypassed on the execution of a "designated block trade", which given the requirement that it have a value of $25,000,000 or more meant that there would on average be approximately 3 or 4 trades per day. In these circumstances, it was thought that the handling of the execution of such orders could be manually undertaken by marketplaces in conjunction with RS.

With the changes proposed in the Revised Proposal for compliance with trade-through and best price obligations together with an expanded definition of a designated trade, there would be a requirement for a new order marker, applicable to those marketplaces which permit undisclosed order volume, that would systematically enforce the bypass of the undisclosed volume of an iceberg order when permitted by the UMIR requirements. (See "Technological Implications and Implementation Plan" later in this Market Integrity Notice.)

Foreign Currency Translation when determining "better price"

Presently, UMIR provides that prices on foreign markets are to be translated into Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points. This formula was previously used as part of the rules of the TSX but may no longer be an appropriate benchmark. Under the Revised Proposal, the formula

would be replaced with the exchange rate that would apply to a trade of a similar size on an organized market in the foreign jurisdiction. The same formula is being suggested for converting the price of an internal cross or intentional cross that has been agreed to in a foreign currency for the purpose of reporting or executing the cross on a marketplace. The burden will be on the Participant to justify the foreign currency exchange rate which has been used and the Participant must maintain a record of that currency exchange rate with the information on the execution of the order.

Compliance will be assisted if there is a single foreign exchange formula to be used for various requirements under UMIR. While the suggested formula is less specific than the existing formula, in fact the Participant has less choice in picking the rate to be used as it must relate to the exchange rate used by the Participant in similar transactions undertaken in proximity in value and time. Foreign exchange within a 15 basis point plus or minus range can not be used to "artificially" create a better price on an organized regulated market in a foreign jurisdiction.

Consequential Amendments

Based on the changes described above, the Revised Proposal will make a number of consequential amendments including:

- clarifying that any short sale undertaken by a Participant to fill an order imposed on a Participant or Access Person by any Rule or Policy is exempt from the restriction that the sale price not be less than the last sale price (and would include any order entered to facilitate the execution of a pre-arranged trade or intentional cross under Part 2 of Policy 2.1);

- clarifying that a trade may be made off-marketplace in a security that has been halted, delayed or suspended by an Exchange or QTRS for "business reasons" if such security is not listed, quoted or traded on another marketplace;

- conforming references throughout the Rules and Policies to newly-defined terms and provisions; and

- clarifying that any trade undertaken "off-marketplace" in accordance with an exemption in Rule 6.4 remains subject to a number of order handling provisions in UMIR including:

    - Rule 2.1 requiring a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace;

    - Rule 4.1 prohibiting a Participant from frontrunning certain client orders;

    - Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order;

    - Rule 8.1 governing client-principal trading; and

    - Rule 9.1 governing regulatory halts, delays and suspensions of trading.

Technological Implications and Implementation Plan

If the Revised Proposal is approved, the amendments would introduce a "bypass" marker which would indicate that the order is either a "designated trade" or an order entered on a marketplace to satisfy an obligation to an order with a better price in accordance with the Policies under Rule 5.2. Orders with a bypass marker would not trade with the undisclosed volume of an iceberg order. In order to provide Participants, marketplaces and service providers with an opportunity to make changes to their programming to accommodate the introduction of this marker, implementation of the required marker would be deferred for a period of not less than 90 days following the date on which the Recognizing Regulators approve the Revised Proposal.

Implementation of a "cap" on the displacement obligation with respect to trading a "designated trade" may require each marketplace that permits orders to be entered with undisclosed volume to undertake programming changes to their respective trading system or to have the ability to override trade allocations to permit the trades to be allocated and executed at the time and prices indicated in the suggested execution procedure. Ideally, the adoption of the recommendations would permit designated trades:

- at any time during the trading day of a marketplace;

- without the requirement to halt trading on marketplaces to complete the transactions (though a temporary order inhibition may be required on certain marketplaces to facilitate the handling of the "displacement" trades);

- to be transparent (as a result of the disclosure of the order marker); and
- to establish the "last sale price" for the purposes of UMIR.

Until marketplaces have been able to modify their systems to accommodate changes to their trading allocation algorithms to bypass undisclosed volume in certain circumstances, the obligation on a Participant or Access Person would be quantified by the applicable "disclosed volume" but upon entry to the marketplace these orders would be allocated in accordance with the allocation algorithms then in place. Marketplaces that permit iceberg orders would be expected to have modified their trading systems concurrent with the introduction of the "bypass" marker.

Appendices

The text of the proposed amendments to UMIR related to off-marketplace trades is set out in Appendix "A".

RS received seven comment letters in response to the Request for Comments on the proposed amendments set out in Market Integrity Notice 2004-018. The comments and the response of RS are summarized in Appendix "B". Appendix "B" also contains the text of the relevant provisions of the Rules and Policies as they would read on the adoption of the amendments. This text has been marked to indicate changes from the Original Proposal set out in Market Integrity Notice 2004-018.

Questions

Questions concerning this notice may be directed to:

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Appendix "A"

Universal Market Integrity Rules

Amendments to the Rules and Policies
Related to Off-Marketplace Trades

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by adding the following definitions of "Canadian account", "designated trade", "disclosed volume", "organized regulated market", "pre-arranged trade", "non-Canadian account" and "trading increment":

"Canadian account" means an account other than a non-Canadian account.

"designated trade" means an intentional cross or a pre-arranged trade of a listed security or quoted security that would be made at a price that:

(a) would not be less than the lesser of:

(i) 95% of the best bid price; and

(ii) 10 trading increments less than the best bid price; and

(b) would not be more than the greater of:

(i) 105% of the best ask price, and

(ii) 10 trading increments more than the best ask price.

"disclosed volume" means the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display that is offered at a price below the intended price of a trade in the case of a purchase or that is bid at a price above the intended price of a trade in the case of a sale, but does not include the volume of:

(a) a Special Terms Order unless the order could be executed in whole, according to the terms of the order;

(b) a Basis Order;

(c) a Call Market Order;

(d) a Market-on-Close Order;

(e) an Opening Order; or

(f) a Volume-Weighted Average Price Order.

"non-Canadian account" means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).

"organized regulated market" means a market outside of Canada:

(a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions;

(b) on which the entry of orders and the execution of trades is monitored for compliance with regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution of trades on that market for compliance with regulatory requirements; and

(c) that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each order at the time of entry of the order on that market and at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market,

but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless:

(d) the trade is required to be reported and is reported to the market forthwith following execution;

(e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and

(f) at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

"pre-arranged trade" means a trade in respect of which the terms of the trade were agreed upon, prior to the entry of either the order to purchase or to sell on a marketplace, by the persons entering the orders or by the persons on whose behalf the orders are entered.

"trading increment" means the minimum difference in price at which orders may be entered in accordance with Rule 6.1.

2. Rule 3.1(2) is amended by adding the following as clause (h):

(h) made to satisfy an obligation to fill an order imposed on a Participant or Access Person by any Rule or Policy.

3. Rule 4.1 is amended by deleting in clause (a) of subsection (1) the phrase "stock exchange or market" and substituting "organized regulated market or other market".

4. Subsection (1) of Rule 6.1 is amended by adding at the end of the subsection the phrase "in respect of an order with a price of less than $0.50".

5. Rule 6.2 is amended by inserting the following as subclause (vii.1) in clause (b) of subsection (1):

(vii.1) part of a designated trade or entered on a marketplace to satisfy an obligation to fill an order imposed on a Participant or Access Person by any Rule or Policy,

6. Rule 6.4 is amended by:

(a) deleting clause (d) and substituting the following:

(d) **On an Organized Regulated Market -** executed on an organized regulated market.

(b) deleting clause (e) and substituting the following:

(e) **Outside of Canada -** executed as principal with a non-Canadian account or as agent if both the purchasers and seller are non-Canadian accounts provided the trade is reported to a marketplace or an organized regulated market in accordance with the reporting requirements of the marketplace or organized regulated market.

(c) inserting the following as clause (i):

(i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace.

8. Subsection (4) of Rule 9.1 is amended by deleting the phrase “exchange or organized regulated market that publicly disseminates details of trades in that market” and substituting “organized regulated market”.

The Policies to the Universal Market Integrity Rules are hereby amended as follows:

1. Part 1 of Policy 2.1 is amended by deleting the opening of the last paragraph and substituting the following:

> Without limiting the generality of the Rule, the following are example of activities that would be considered to be in violation of requirements to conduct business openly and fairly or in accordance with just and equitable principles of trade:

.

2. Part 2 of Policy 2.1 is repealed and the following substituted:

> **Part 2 – Executing a Pre-arranged Trade or Intentional Cross**
>
> A Participant or Access Person intending to execute a pre-arranged trade or an intentional cross is expected to take reasonable steps prior to executing the pre-arranged trade or intentional cross to ensure that any order on any marketplace at a price that is “better” than the intended price of the pre-arranged trade or intentional cross price is filled. In filling the “better” priced orders, the Participant or Access Person is expected to move the market in an orderly manner to the price which will permit the trade to be executed on a marketplace. The prior approval of a Market Regulator is required if a Participant or Access Person wants to undertake a pre-arranged trade or intentional cross at a price that:
>
> - will be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or
> - will be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments.
>
> As a condition for granting approval of the trade, the Market Regulator may require the Participant or Access Person to enter a series of orders on one or more marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is 10% or more.
>
> If the price at which the pre-arranged trade or the intentional cross is to be made:
>
> - will **not** be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; and
> - will **not** be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments,
>
> the orders on entry may be marked as a “designated trade”. As a designated trade, the trade may execute on a marketplace if:
>
> - orders included in the disclosed volume on the marketplace on which the designated trade is entered are filled prior to the execution of the designated trade; and
> - the Participant enters orders on another marketplace with a sufficient volume and at a price to fill the orders included in the disclosed volume of that other marketplace concurrent with, or immediately following the execution of the designated trade.
>
> If the designated trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an “off-marketplace” trade and to report the trade to a marketplace.
>
> The prior approval of the Market Regulator is not required for the entry of a “designated trade”.

3. Part 2 of Policy 5.2 is repealed and the following substituted:

Part 2 – Orders on Other Marketplaces

Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other marketplace or organized regulated market.

This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on another marketplace at the time. This Policy applies to trades for Canadian accounts and Participants' principal (inventory) accounts. The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the outside-of-Canada exemption in clause (e) of Rule 6.4.

A Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the "best bid price" and "best ask price" displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.

4. Part 3 of Policy 5.2 is amended by:

(a) deleting the phrase "mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points" and inserting "exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in that foreign jurisdiction";

(b) deleting the phrase "one-half of a tick" and inserting "one trading increment";

(c) adding at the end of the Part the following sentence: "A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better price existed on a marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11."

5. The following is added as Policy 6.1:

POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE

Notwithstanding that all orders for a security at a price of $0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as Call Market Order or a Volume-Weighted Average Price Order may execute and be reported in an increment of one-half of one cent in accordance with the method of calculation of the trade price established by the marketplace on which the order has traded.

6. Policy 6.4 is deleted and the following substituted:

Part 1 – Trades Outside of Marketplace Hours

In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace participants. Occasions may arise when a Participant may wish to make an agreement to trade as principal with a Canadian account, or to arrange a trade between a Canadian account and a non-Canadian account, outside of the trading hours of any marketplace that trades the particular security.

Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. Participants are reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on an organized regulated market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4.

A Participant may make an agreement to trade in a listed security or a quoted security with a Canadian account as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace or on an organized regulated market. There is no trade until such time as there is an execution on a marketplace or an organized regulated market or the trade is otherwise completed in accordance with one of the exemptions set out in Rule 6.4. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. A Participant may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed. If the Participant determines that the condition of recording the agreement to trade on a marketplace or organized regulated market cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.

Part 2 – Application to Foreign Affiliates and Others

The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the requirement to conduct business openly and fairly and in accordance with just and equitable principles of trade.

Although certain affiliated entities of a Participant, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant may not transfer an order to a foreign affiliate, or book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be executed on a marketplace unless one of the exemptions set out in Rule 6.4 applies. Foreign branch offices of a Participant are not separate from the Participant and as such are subject to Requirements.

Part 3 – Non-Canadian Accounts

Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal with a non-Canadian account or as agent for the purchase and seller both of whom are non-Canadian accounts. A "non-Canadian account" is defined as an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada). There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. In these situations the account should be treated as a “Canadian account”. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary.

For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed.

Part 4 – Reporting Foreign Trades

Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade in a listed security or a quoted security that is made as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts, unless the trade is reported to an organized regulated market. If such an “outside Canada” trade has not been reported to an organized regulated market, a Participant shall report such trade to a marketplace no later than the close of business on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade.

Part 5 – Application of UMIR to Orders Not Entered on a Marketplace

Under Rule 6.4, a Participant, when acting as principal or agent, may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace except in accordance with an exemption specifically enumerated within Rule 6.4. For the purposes of UMIR, a “marketplace” is defined as an Exchange, QTRS or an ATS and a “Participant” is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. If a person is a Participant, certain provisions of UMIR will apply to every order handled by that Participant even if the order is entered or executed on a marketplace that has not adopted UMIR as its market integrity rules or if the order is executed over-the-counter. In particular, the following provisions of UMIR will apply to an order handled by a Participant notwithstanding that the order is not entered on a marketplace that has adopted UMIR:

- Rule 2.1 requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace;
- Rule 4.1 prohibits a Participant from frontrunning certain client orders;
- Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order;
- Rule 8.1 governing client-principal trading; and
- Rule 9.1 governing regulatory halts, delays and suspensions of trading.

In accordance with Rule 11.9, UMIR will not apply to an order that is entered or executed on a marketplace in accordance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules or if the order is entered and executed on a marketplace or otherwise in accordance with the rules of an applicable regulation services provider or in accordance with the terms of an exemption from the application of the Trading Rules.

7. The following is added as Policy 7.5:

POLICY 7.5 - RECORDED PRICES

If the price of:

- an internal cross or intentional cross to be recorded on a marketplace; or
- a trade that has been executed outside of Canada that is to be reported to a marketplace in accordance with clause (e) of Rule 6.4,

has been agreed to in a foreign currency and the trade is to be recorded or reported in Canadian currency, the price in foreign currency shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market at the time of the internal cross, intentional cross or execution of the trade outside of Canada. If the trade price converted into Canadian currency falls between two trading increments for the marketplace on which the cross is to be entered or the trade reported, the price shall be rounded to the nearest trading increment. A Participant shall maintain with the record of the order the exchange rate used for the purpose of entering the internal cross or intentional cross or reporting the foreign trade and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with Rule 10.11(3).

8. Part 1 of Policy 8.1 is amended by deleting the last two sentences of the first paragraph and substituting the following:

If the security is traded on more than one marketplace, the client must receive, when the Participant is buying, a higher price than the best bid price, and, if the Participant is selling, the client must pay a lower price than the best ask price.

Appendix "B"

Universal Market Integrity Rules

Comments Received on Proposed Amendments
Related to "Off-Marketplace" Trades

On August 20, 2004, RS issued Market Integrity Notice 2004-018 requesting comments on proposed amendments to UMIR respecting the ability of Participants and Access Persons to conduct trades of listed or quoted securities other than by the entry of orders on a marketplace. In response to that Market Integrity Notice, RS received comments from the following persons:

Barclays Global Investors ("Barclays")
BMO Nesbitt Burns ("BMO")
Canadian Securities Traders Association Inc. ("CSTA")
CDP Capital Inc. ("CDP")
Markets Inc. ("MI")
TD Securities Inc. ("TD")
TSX Markets ("TSX")

The following table presents a summary of the comments received together with the response of RS to those comments. Column 1 of the table is also marked to indicate the revisions to the amendments as published on August 20, 2004 that are proposed by RS in response to the comments. Additions are indicated in "red" font and the added text is underlined while deletions from the August 20, 2004 proposal are indicated in "blue" font and the deleted text is struck out.

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
1.1 Definitions **"Canadian account"** means an account other than a non-Canadian account.		
"designated ~~block~~ trade" means an intentional cross or a pre-arranged trade of a listed security or quoted security that ~~at the time of approval by a Market Regulator:~~ ~~(a)~~ would be made at a price that:	**BMO** and **TSX –** Requests a definition for "pre-arranged trade".	The term "pre-arranged trade" is used in TSX requirements without definition. However, given the importance of the term to the operation of the rules, RS would propose to add a definition for clarity purposes.
(a) would not be less than the lesser of: (i) 95% of the best bid price; and (ii) 10 trading increments less than the best bid price; and	**CDC** - Queries the impact of the term "trading increments" in the definition suggested. States that, as they understand the reference to Rule 6.1, the reference to trading increments in the definition of "designated block trade" appears to be inappropriate.	The term "trading increment" will be defined as the minimum price variation permitted in accordance with Rule 6.1. Rule 6.1 will provide that the minimum variation is one-half of one cent if the security trades at less than $0.50 and one cent if the security trades at $0.50 or more.
(b) would not be more than the greater of: (i) 105% of the best ask price, and (ii) 10 trading increments more than the best ask price~~; and~~ ~~(b) if executed, would:~~ ~~(i) have a value of $25,000,000, or~~	**TD** – Suggests removing the band within which designated block trades can occur. Notes that the price of the designated block trade will always be a function of the size of the block and the liquidity and fundamentals of the underlying security. States that a situation may arise where it is appropriate that the designated block trade be effected at levels that are greater than 5% from the posted market.	The originally proposed "designated block trade" was an exception to the general rule that all better-priced orders must be filled before a trade can occur. For the market to be both "fair and orderly", the obligation to move the market is imposed over a period of time. RS is of the view that a price movement of 5% or less can be considered "orderly" but the market should have an opportunity to respond if

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
~~(ii) constitute a trade of 10% or more of the issued and outstanding securities of the listed security or quoted security~~.	Suggests that this band should be either widened or eliminated outright.	price movements are to exceed that amount. RS would note that the TSX is proposing to reduce from 10% to 5% the price variation threshold that would be used in the Market-on-Close Facility to determine whether a "Price Movement Extension" would be invoked. If the closing price would be more than 5% off the last sale price or the trade-weighted average price during the last 20 minutes of the regular session, a 10-minute period would be permitted for further order entry into the Market-on-Close Facility. The reduction from 10% to 5% was one of the amendments that had been suggested following significant public consultation by the TSX. As a result of proposed revisions relating to means of satisfying the "best price" obligation under Rule 5.2, RS is proposing to remove the "size" requirement from the definition. If an order is a pre-arranged trade or an intentional cross, RS is proposing that the order can trade provided "better-priced" orders on the same or another marketplace that are disclosed in a consolidated market display are filled.
"disclosed volume" means the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display that is offered at a price below ~~at or above~~ the intended price of a ~~designated block~~ trade in the case of a purchase or bid at a price above ~~at or below~~ the intended price of a ~~designated block~~ trade ~~or wide distribution trades~~ in the case of a sale, ~~determined at the time of entry on a marketplace,~~ but does not ~~including~~ include the volume of: (a) a Special Terms Order unless the order could be executed in whole, according to the terms of the order; (b) a Basis Order;	**BMO** – Requests that the definition of "special terms" orders should be expanded to include spread and contingent orders.	The definition of "special terms order" under UMIR already encompasses a "spread order" or a "contingent order". If such orders have been entered on a marketplace in a special facility they would be included in the calculation of "disclosed volume" only if the orders could be executed in whole according to their terms.
	TSX – Advises that if the Proposal is enacted, there will be no separate provisions in UMIR or in the TSX Rules with respect to wide distributions and as such, this term should be deleted from this definition.	The reference in the definition was a drafting error and will be deleted.

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
(c) a Call Market Order; (d) a Market-on-Close Order; ~~or~~ (e) an Opening Order~~;~~ or (f) a Volume-Weighted Average Price Order.		
"non-Canadian account" means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).		
"organized regulated market" means a market outside of Canada: (a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions; (b) on which the entry of orders and the execution of trades is monitored for compliance with regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution of trades on that market for compliance with regulatory requirements; and (c) that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each order at the time of entry of the order on that market and at least the price, volume and security identifier of each trade at the time of execution or reporting of		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
the trade on that market, but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless: (d) the trade is required to ~~must~~ be reported and is reported to the market forthwith following execution; (e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and (f) at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.		
"pre-arranged trade" means a trade in respect of which the terms of the trade were agreed upon, prior to the entry of either the order to purchase or to sell on a marketplace, by the persons entering the orders or by the persons on whose behalf the orders are entered.		
"trading increment" means the minimum difference in price at which orders may be entered in accordance with Rule 6.1.		
3.1 Restrictions on Short Selling (2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is: … (h) made to satisfy an obligation to fill an order imposed on a Participant or Access Person by any Rule or Policy.~~in furtherance of the displacement obligation of the Participant or Access Person in accordance with Part 2 of Policy 2.1.~~		
4.1 Frontrunning (1) A Participant with knowledge of a client order that on entry could		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order: (a) enter a principal order or a non-client order on a marketplace, organized regulated market or other market, including any over-the-counter market, for the purchase or sale of the security or any related security; …		
5.2 Best Price Obligation (2) Subsection (1) does not apply to the execution of an order which is: (a) required or permitted by a Market Regulator pursuant to clause (b) of Rule 6.4 to be executed other than on a marketplace in order to maintain a fair or orderly market; (b) a Special Terms Order unless: (i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS governing the trading of a Special Terms Order provide otherwise, or (ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display; ~~or~~ (c) directed or consented to by the client to be entered on a marketplace as: (i) a Call Market Order, (ii) a Volume-Weighted Average Price Order, (iii) a Market-on-Close		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
Order, or (iv) an Opening Order; or (d) a client order on behalf of a non-Canadian account.		
6.1 Entry of Orders to a Marketplace (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of cent other than an increment of one-half of one cent in respect of an order with a price of less than $0.50.		
6.2 Designations and Identifiers (1) Each order entered on a marketplace shall contain: … (a) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: … (vii.1) part of a designated trade or entered on a marketplace to satisfy an obligation to fill an order imposed on a Participant or Access Person by any Rule or Policy,		
6.4 Trades to be on a Marketplace A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is: … (d) **On an Organized Regulated Market -** executed on an organized regulated market ~~and, if the value of the trade in a listed security or a quoted security was $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or~~		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
~~quoted security, the trade shall also be reported to a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day~~; (e) **Outside of Canada -** executed as principal with a non-Canadian account or as agent if both the purchasers and seller are non-Canadian accounts provided the trade is reported to~~:~~ ~~(i)~~ a marketplace or an organized regulated market in accordance with the reporting requirements of the marketplace or organized regulated market~~, and~~ ~~(ii) if the trade is in a listed security or quoted security and the value of the trade is $25,000,000 or more or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day~~; … (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace.		
9.1 Regulatory Halts, Delays and Suspensions of Trading (4) **Trading Outside Canada During Regulatory Halts, Delays and Suspensions –** If		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d) or subsection (2), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an organized regulated market.		
POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES **Part 1 – Examples of Unacceptable Activity** Rule 2.1 provides that a Participant shall transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities that are eligible to be traded on a marketplace. The Rule also provides that an Access Person shall transact business openly and fairly. As such, the Rule operates as a general anti-avoidance provision. ~~Each Participant and Access Person has been granted access to trading on at least one marketplace. Given that access, each Participant and Access Person may have, directly or indirectly, access to orders on other marketplaces and each Participant and Access Person receives the benefit under various Rules of the "best ask price", "best bid price", "better price" and "last sale price" as disclosed in a consolidated market display. As a result, each Participant and each Access Person owes an obligation to the "market" generally. The Canadian market envisaged by the Marketplace Operation Instrument consists of integrated marketplaces with pre-trade and post-trade transparency on some form of consolidated basis. While there would be competition between marketplaces based on the facilities and services which they offered, persons with access to a marketplace would be expected to support the integrity of the overall market by not intentionally bypassing better priced orders on one marketplace in favour of the execution of the order on a particular marketplace or organized regulated market.~~ ~~In determining whether a Participant or Access Person had undertaken reasonable efforts to satisfy this aspect of the obligation to transact business openly and~~		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
~~fairly, consideration would be given to whether:~~ ~~• the Participant or Access Person had access to the marketplace with the better priced order or orders and the additional costs that would be incurred in accessing such order or orders; and~~ ~~• the Participant has met the displacement obligation set out in Part 2 of this Policy.~~ ~~If the Market Regulator determines that a Participant or Access Person has not undertaken reasonable efforts to ensure that better-priced orders are not bypassed, the Market Regulator may require the Participant or Access Person to satisfy the better bid or offer up to the volume of the trade which failed to comply with this Policy.~~ ~~The requirement to access better priced orders on a marketplace does not apply when a Participant is trading as principal with a non-Canadian account or trading as agent on behalf of the buyer and the seller, both of whom are non-Canadian accounts. These circumstances have been excluded on the basis that requirements of the foreign jurisdiction should be applied. Orders which originate in Canada should be handled, at least initially, in accordance with Canadian requirements. As such, Canadian requirements would determine whether an order originating in Canada is permitted or required to be entered or executed on a foreign market.~~ ~~The requirement to access better priced orders on a marketplace does not apply to an Access Person when the order of the Access Person is handled as a client order by a Participant or by any dealer in a Canadian jurisdiction as agent for the Access Person.~~ Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is contrary to the requirements to conduct business openly and fairly. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
circumstances where an "off-market exemption" is not available) to be violating just and equitable principles of trade. Certain patterns of activity that can be undertaken that affect the marketplace but do not reach the level of manipulative and deceptive trading practices are nonetheless unavailable to Participant and Access Persons. For example, Rule 4.1 dealing with frontrunning is specifically tied to misuse of information when a Participant *knows* a client order will be entered. Somewhere between the Participant who acts on certain knowledge of a client order and the Participant who acts despite a single, uncertain expression of interest are the Participants that repeatedly take advantage of *expressions of interest* in particular securities. Such Participants are not conducting business openly and fairly and in accordance with just and equitable principles of trade. The "just and equitable principles" clause and the requirement transact business openly and fairly prevent such activity. Without limiting the generality of the Rule, the following are examples of activities ~~by a Participant~~ that would be considered to be in violation of the obligation to conduct business openly and fairly or in accordance with just and equitable principles of trade: (a) without the specific consent of the client, entering client and principal orders in such a manner as to attempt to obtain execution of a principal order in priority to the client order; (See Part 2 of Policy 5.3 – Client Priority for examples of the prohibition on "intentional trading ahead".) (b) without the specific consent of the client, to vary the instructions of the client to indicate that securities held by the client are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the client for the dividend in cash; (c) without the specific consent of the lender of securities, to vary the arrangements in respect of securities borrowed by the Participant to indicate that the		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
borrowed securities are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the lender for the dividend in cash; and (d) when trading a combined board lot/odd lot order for a listed security on an Exchange, entering the odd lot portion of the order prior to executing the board lot portion of the order as such order entry exposes the Registered Trader on the TSE or the Odd Lot Dealer on the CDNX to automatic odd lot trades at unreasonable prices.		
POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES **Part 2 – Executing a Pre-Arranged Trade or Intentional Cross ~~Moving Markets to Execute a Trade~~** A Participant or Access Person intending to execute a pre-arranged trade or an intentional cross is expected to take reasonable steps prior to executing the pre-arranged trade or intentional cross to ensure that any order on any marketplace at a price that is ~~the "same" or~~ "better" than the intended price of the pre-arranged trade or intentional cross price is filled. In filling the ~~"same" or~~ "better" priced orders, the Participant or Access Person is expected to move the market in an orderly manner to the price which will permit the trade to be executed on a marketplace. The prior approval of a Market Regulator is required if a ~~A~~ Participant or Access Person wants ~~wanting~~ to undertake a pre-arranged trade or intentional cross at a ~~shall obtain the prior approval of the Market Regulator if the~~ price that ~~at which the pre-arranged trade or the intentional cross is to be made~~: • will be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or • will be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments. As a condition for granting approval of the trade, the Market Regulator may require	**TD -** Believes that there should be rules established for instances in which a designated block trade is taken on and/or redistributed after market hours. Notes that it is not uncommon for large blocks of stock to trade off-market hours, often in a competitive tender process that results in significant information leakage. Notes that in these instances, orders intended to interfere with the block cross are entered into the TSX book prior to the opening of trading, often times by market participants with specific knowledge of the pending cross.	The original version of the proposed amendments to Policy 2.1 required that the "disclosed volume" be measured after the opening of the marketplace on which the designated block trade would be executed. Under the revised version, the calculation of the "disclosed volume" will be made at the time of the entry of the "designated trade". To key the obligation to orders at the close of each marketplace on the previous trading day ignores the ordinary impact of "after-hours" disclosures of market or economic information. In addition, there would be equitable concerns unless all marketplaces maintained the same "closing time".
	TSX - Notes that the first line of the fifth paragraph of Part 2 of Policy 2.1 refers to "block trades", yet this Policy refers to pre-arranged trades or intentional crosses and suggests that for consistency, "block trades" be replaced with "pre-arranged trades and intentional crosses".	The provision in question has been deleted from the revised proposal.

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
the Participant or Access Person to enter a series of orders on one or more marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is10% or more. If the price at which the pre-arranged trade or the intentional cross is to be made: • will **not** be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; and • will **not** be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments, the orders on entry may be marked as a "designated trade". As a designated trade, the trade may execute on a marketplace if: • orders included in the disclosed volume on the marketplace on which the designated trade is entered are filled prior to the execution of the designated trade; and • the Participant enters orders on another marketplace with a sufficient volume and at a price to fill the orders included in the disclosed volume of that other marketplace concurrent with, or immediately following the execution of the designated trade. If the designated trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an "off-marketplace" trade and to report the trade to a marketplace. Tthe prior approval of the Market Regulator is not required for the entry of a "designated trade". ~~and the market may be moved concurrent with the entry of the pre-arranged trade or the intentional cross.~~ ~~If the pre-arranged trade or intentional cross would qualify as a "designated block~~		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
~~trade", a Participant can limit the number of securities that have to be bought or sold in an attempt to move the market. A Participant may request that a Market Regulator approve a pre-arranged trade or intentional cross as a "designated block trade" prior to the entry of the orders on a marketplace. If the Market Regulator provides approval for such order, the obligation of the Participant to move the market will be "capped" at the disclosed volume at the time of the approval of the Market Regulator (the "displacement obligation").~~ ~~Where the block trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of a marketplace on which that security is traded (as this would ensure that the disclosed volume reflected all "after hours" news regarding the market generally or the particular issuer whose securities were included in the block trade).~~ ~~Prior to the entry on a marketplace of the order that would qualify as a "designated block trade", the Participant would obtain the approval of a Market Regulator. Upon receiving the approval of the Market Regulator, the Participant would enter a "fill and kill order" on each marketplace for the disclosed volume on that marketplace. The designated block trade may then be executed on a marketplace at the intended price without further interference from any orders on that or any other marketplace. At the option of the Participant, the sales or purchases required to meet the displacement obligation may reduce the size of the designated block trade or be settled from or to the inventory of the Participant. If the designated block trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an "off-marketplace" trade and to report the trade to a marketplace.~~ ~~Upon approval of a "designated block trade", the Market Regulator will co-ordinate with the Participant and each marketplace the entry and execution of the orders to satisfy:~~ ~~• the displacement obligation; and~~ ~~• the designated block trade.~~ ~~In particular:~~		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
~~• orders included in the disclosed volume would be guaranteed a fill; and~~ ~~• the undisclosed volume of any "iceberg" orders would not be filled.~~ ~~If the marketplace on which the Participant enters orders in fulfillment of the displacement obligations has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation reduces the displacement obligation of the Participant. Orders of a market maker which are included in the disclosed volume are entitled to be filled.~~ ~~Any short sale undertaken by a Participant to meet displacement obligations would be exempt from the price restrictions on short sales.~~		
POLICY 5.2 – BEST PRICE OBLIGATION **Part 2 – <u>Orders on Other</u> ~~Trade-Through of~~ Marketplaces** Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other marketplace or organized regulated market. ~~The time of order entry is the time that is relevant for determining whether there is a better price on a marketplace.~~ This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on another marketplace at the time. <u>This Policy applies to trades for Canadian accounts and Participants' principal (inventory) accounts.</u>	**TSX** - Agrees that marketplace participants owe an obligation to the market generally to ensure that better-priced orders on a marketplace are honoured. Agrees with RS's proposal to amend UMIR to preclude a Participant from by-passing better-priced orders on a marketplace when trading principal and non-client orders. Understands the reason for drafting this requirement in Policy 2.1 rather than Rule 5.2, however, states that despite the fact that Rule 5.2 is drafted to provide the obligations that a Participant has to its clients, submits that it may be clearer to Participants to insert the best price obligation for principal and non-client orders directly into Rule 5.2. Believes that drafting the obligation in Rule 5.2 would clarify that the best price obligation extends equally to client orders and to principal and non-client orders. States that if the obligation is drafted in Rule 5.2(1), then it is clear that the list of exemptions that are set out in Rule 5.2(2) would also apply to non-client and principal orders. Concerned that, if obligation for non-client and principal orders is placed in Policy 2.1, a principal	Rule 5.2 was intended to be a "fiduciary" rule setting out the obligation of a Participant for client orders. For this reason, the language in the Policy regarding application to principal and non-client orders was inappropriate. RS is presently undertaking a strategic review of UMIR. One of the items that will be encompassed by that review is whether it would be appropriate to subsume the "best price obligation" within the "best execution obligation". At this time, RS has deferred the matter of whether an Access Person should have an obligation to take reasonable efforts to execute first as against better-priced orders on any marketplace to which they have access as an Access Person.

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the outside-of-Canada exemption in clause (e) of Rule 6.4. ~~A trade by a Participant as agent for a non-Canadian account is not subject to this Policy. For example, an order to sell from a non-Canadian account on the New York Stock Exchange, NASDAQ or other organized regulated market at a price below the bid price on a marketplace may be executed by the Participant~~ A Participant will be considered to have taken reasonable efforts to obtain the best price for a client if, at the time of the entry of the client order on a particular marketplace or organized regulated market, the Participant enters orders on behalf of the client on each other marketplace and such orders have a sufficient volume and are at a price to fill the then disclosed volume on that marketplace. If following the entry of the client order on the particular marketplace or organized regulated market, the client order does not immediately execute in full, the Participant shall monitor the "best bid price" and "best ask price" displayed in a consolidated market display to determine if the unfilled portion of the client order should be entered on another marketplace.	order entered into the TSX MOC book, for example, would be in contravention of the best price obligation because the exemption that this trade would otherwise have in Rule 5.2(2) is not provided for in Policy 2.1. Believes that the best price obligation should be set out explicitly in Rule 5.2(1). States in the alternative that the proposed amended drafting to Policy 2.1 should be modified slightly such that it states in absolute terms that the best price obligation extends to principal and non-client orders. Specifically advises inserting a sentence to this effect near the end of new proposed paragraph 2 of Policy 2.1, directly before the discussion of how RS determines whether a Participant or Access Person has undertaken reasonable efforts to satisfy this obligation. Also suggests adding to Policy 2.1 exemptions similar to those available to client orders in Rule 5.2(2). Submits that it will be clearer to market participants if the best price obligation for Access Persons who trade on a marketplace directly and not through a Canadian dealer, is placed in Rule 5.2(1). Notes that if this obligation is set out directly in Rule 5.2(1), it will be evident that this requirement is the same for Access Persons trading on an ATS as for Participants trading on an exchange. Notes that this will also provide that any exemptions available to a Participant under Rule 5.2(2) are also available to an Access Person trading directly and not through a Canadian dealer.	
POLICY 5.2 – BEST PRICE OBLIGATION **Part 3 – Foreign Currency Translation** If a trade is to be executed on a foreign market, the Participant shall determine whether there is in fact a better price on a marketplace. The foreign trade price shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in that	**BMO** – Notes the reference to "similar transactions undertaken in proximity in value and time". States that, in the context of Designated Block Trades, which occur infrequently, it may be difficult to establish "proximity in value". Assumes that RS intends for this to apply to all transactions, not just those that can be characterized as "off-marketplace" trades. Suggests	The test which is being suggested by the amendment is not a reference to "similar transactions undertaken in proximity in value and time". Rather the test is what would have been the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in the foreign jurisdiction. As such, the Participant is given considerable

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
foreign jurisdiction. A better price on a marketplace must be "taken out" if there is more than a marginal difference between the price on the marketplace and the price on the other stock exchange or organized market. The Market Regulator regards a difference of ~~one-half of a~~ trading increment ~~tick~~ or less as "marginal" because the difference would be attributable to currency conversion. A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better price existed on a marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11.	that because this will have much broader implications in terms of recordkeeping by Participants, and the introduction of additional risks caused by potential time lags in volatile currency markets, this part of the proposal merits a separate Request for Comments to bring it to the attention of Participants and Access Persons that would not have an interest in "off-marketplace" transactions.	flexibility, but must nonetheless be able to justify the exchange rate which is used in making the determination. The same test is being proposed for the reporting of trades to a marketplace which have been agreed to in a foreign currency. (See Policy 7.5.)
POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE Notwithstanding that all orders for a security at a price of $0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as Call Market Order or a Volume-Weighted Average Price Order may execute and be reported in an increment of one-half of one cent in accordance with the method of calculation of the trade price established by the marketplace on which the order has traded.		
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 1 – Trades Outside of Marketplace Hours** In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace participants. Occasions may arise when a Participant may wish to make an agreement to trade as principal with a Canadian account, or to arrange a trade between a Canadian account and a non-Canadian account, outside of the trading hours of any marketplace that trades the particular security. Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. ~~This Policy clarifies the procedure to be followed when a Participant wishes to make such a transaction.~~ Participants are		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on an organized regulated market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4. A Participant may make an agreement to trade in a listed security or a quoted security with a Canadian account as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace or on an organized regulated market. There is no trade until such time as there is an execution on a marketplace or an organized regulated market or the trade is otherwise completed in accordance with one of the exemptions set out in Rule 6.4. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. A Participant may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed ~~or the trade is completed as a designated block trade in accordance with Part 2 of Policy 2.1~~. If the Participant determines that the condition of recording the agreement to trade on a marketplace or organized regulated market cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.		
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 2 – Application to Foreign Affiliates and Others** The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the requirement to conduct business openly and fairly and in accordance with just and equitable principles of trade. Although certain affiliated entities of a Participant, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant may not transfer an order to a foreign affiliate, or		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be executed on a marketplace unless one of the exemptions set out in Rule 6.4 applies. Foreign branch offices of a Participant are not separate from the Participant and as such are subject to Requirements.		
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 3 – Non-Canadian Accounts** Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal with a non-Canadian account or as agent for the purchaser and seller both of whom are ~~with a~~ non-Canadian accounts. A "non-Canadian account" is defined as an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada). There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. In these situations the account should be treated as a “Canadian account”. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary. For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed.		
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 4 – Reporting Foreign Trades** Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade in a listed security or a quoted security that is made as principal with a	**BMO** – States that, if a trade has all of the characteristics of a Designated Block Trade (value or volume, as appropriate) and a Participant or Access Person chooses to transact on an Organized Regulated Market such that all better bids or offers are satisfied, including the	Orders which are executed on an organized regulated market do not require the prior approval of a Market Regulator either currently or under the proposed amendments. With the elimination of the concept of a “designated block

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts, unless the trade is reported to an organized regulated market. If such an "outside Canada" trade has not been reported to an organized regulated market, a Participant shall report such trade to a marketplace no later than the close of business on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. ~~In addition, clauses (d) and (e) of Rule 6.4 require a Participant to report to a Market Regulator any trade in a listed security or quoted security with a value of $25,000,000 or more if the trade has been executed on an organized regulated market or has been executed as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts. The report to the Market Regulator shall be made not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. If the trade has been executed on an organized regulated market, the report to the Market Regulator shall identify the organized regulated market. If the trade has been reported to or will be reported to an organized regulated market, the report to the Market Regulator shall identify the organized regulated market and the time of the report to that market or the deadline for filing of the report with the organized regulated market if the report has not yet been filed.~~	undisclosed portion of any iceberg orders, within the appropriate price differential, prior approval by the Market Regulator should not be required and the trade should not be required to be additionally reported to the Market Regulator as required by proposed Rule 6.4.	trade", RS would no longer propose that trades with a value of $25,000,000 or more which are executed by a Participant outside of Canada be reported to a Market Regulator.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 5 – Application of UMIR to Orders Not Entered on a Marketplace** Under Rule 6.4, a Participant, when acting as principal or agent, may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace except in accordance with an exemption specifically enumerated within Rule 6.4. For the purposes of UMIR, a "marketplace" is defined as an Exchange, QTRS or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
Exchange, a user of a QTRS or a subscriber to an ATS. If a person is a Participant, certain provisions of UMIR will apply to every order handled by that Participant even if the order is entered or executed on a marketplace or market that has not adopted UMIR as its market integrity rules or if the order is executed over-the-counter. In particular, the following provisions of UMIR will apply to an order handled by a Participant notwithstanding that the order is not entered on a marketplace that has adopted UMIR: • Rule 2.1 requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace; • Rule 4.1 prohibits a Participant from frontrunning certain client orders; • Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order; • Rule 8.1 governing client-principal trading; and • Rule 9.1 governing regulatory halts, delays and suspensions of trading. In accordance with Rule 11.9, UMIR will not apply to an order that is entered or executed on a marketplace in accordance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules or if the order is entered and executed on a marketplace or otherwise in accordance with the rules of an applicable regulation services provider or in accordance with the terms of an exemption from the application of the Trading Rules.		
POLICY 7.5 - RECORDED PRICES If the price of: • an internal cross or intentional cross to be recorded on a marketplace; or • a trade that has been executed outside of Canada that is to be reported to a marketplace in accordance with clause (e) of Rule		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
6.4, has been agreed to in a foreign currency and the trade is to be recorded or reported in Canadian currency, the price in foreign currency shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market at the time of the internal cross, intentional cross or execution of the trade outside of Canada. If the trade price converted into Canadian currency falls between two trading increments for the marketplace on which the cross is to be entered or the trade reported, the price shall be rounded to the nearest trading incrementtrades shall be recorded or reported at each of the trading increments immediately above and below the converted price for the number of units of the security that yields the appropriate average price per unit of the security. A Participant shall maintain with the record of the order the exchange rate used for the purpose of entering the internal cross or intentional cross or reporting the foreign trade and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with Rule 10.11(3).		
POLICY 8.1 – CLIENT-PRINCIPAL TRADING **Part 1 - General Requirements** Rule 8.1 governs client-principal trades. It provides that, for trades of 50 standard trading units of less, a Participant trading with one of its clients as principal must give the client a *better* price than the client could obtain on a marketplace. A Participant must take reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market. If the security is traded on more than one marketplace, the client must receive, when the Participant is buying, a higher price than the best bid price, and, if the Participant is selling, the client must pay a lower price than the best ask price. For client-principal trades greater than 50 standard trading units, the Participant may do the trade provided the client could not obtain a better price on a marketplace in accordance with the best execution		

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
obligations under Rules 5.1 and 5.2. The Participant must take reasonable steps to ensure that the best price is obtained and the price to the client is justified by the condition of the market.		
General or Other Comments	**CSTA** - Concerned that rules implemented in Canada but not other markets where Canadian stocks are listed may force order flow to go elsewhere not as restrictive.	Regulatory arbitrage is a concern. It was for this reason that the amendments proposed that a subscriber to an ATS should not be able to undertake directly a trade on the ATS that a dealer acting on behalf of the subscriber would not be able to make on the ATS or another marketplace. If all persons with access to a Canadian marketplace have the same obligations to honour better-priced orders on a Canadian marketplace then there is not the opportunity for "order flow to go elsewhere".
	MI – Disagrees with RS statement in MIN 2004-018 that the goals of the ATS Rules are to "create an integrated Canadian market based on competitive marketplaces" and "provide for pre- and post-trade transparency based on a consolidated data display" as integration and data consolidation requirements were repealed and the ATS Rules do not require pre-trade reporting if orders are not displayed. Proposed RS amendments should be drafted to be consistent with ATS Rules.	The form of "market integration" has evolved with changes to National Instrument 21-101. While amendments effective January 4, 2004 removed the requirements for markets to maintain electronic connections and for a "market integrator", the CSA indicated its intention to focus on ensuring compliance with best execution for dealers and fair access requirements for marketplaces. The amendments to National Instrument 21-101 were based on the report of the Industry Committee on Data Consolidation and Marketplace Integration which recommended a market-driven solution to provide for data consolidation and market integration, stating that a more open model should be adopted. The Industry Committee also recommended that a consolidated market be achieved by the specification of minimum standards for data publishing requirements and that a common protocol should be adopted for market data feeds.
	TSX – Notes that, although regulatory approval has been received by TSX V for iceberg orders in October of 2003, the systems programming changes necessary to provide for the entry and trading of iceberg orders on	The suggested changes to UMIR were drafted such that the undisclosed volume portion of "iceberg" orders on any marketplace could be by-passed when undertaking a "designated block trade". Under the revised

Text of Provisions Following Adoption of Revised Proposals	Commentator and Summary of Comment	Response to Comment
	TSX V have not yet been effected.	proposal, undisclosed volume can be bypassed when a trade qualifies as a "designated trade" or the orders have been entered on the marketplace in satisfaction of obligations to orders with a better price when a trade has been executed by a Participant at an "inferior price" on another marketplace or organized regulated market.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
Definition of Designated Block Trade 1. The proposal recommends that a "designated block trade" has a value of $25,000,000 or more. This dollar amount corresponds to the minimum size of a block that can presently be distributed by a wide distribution in accordance with the rules of the TSX. *Is the recommended value of $25,000,000 appropriate to be a designated block trade?* 2. The proposal recommends that, as an alternative to the value of a block, a trade could qualify as a "designated block trade" if the trade involved 10% or more of the issued and outstanding shares of the issuer. In these circumstances, the vendor is an insider of the issuer and the purchaser (if there is a single purchaser) would become an insider. *Is it appropriate to have a test based on the size of the block of securities to be traded? If so, should the test be based on the size of the block in relation to the number of securities outstanding? Should "large" blocks nonetheless be subject to a minimum value test (e.g. $1,000,000)?*	**Barclays** – States that the definition of "designated block trade" is appropriate as it is appropriate to base the test on the size of the block of securities to be traded. Notes that the test considers not only the value of the trade but also the size of the trade in relation to the shares outstanding. States that for trades that are 10% or more of the issued and outstanding shares of a security, a minimum value test is justified. **BMO** - States that, given that the marketplaces will be required to manually override their systems to accommodate the displacement obligations for designated block trades and that the proposal will add a layer of complexity to the execution process, the proposed $25,000,000 cap is acceptable. Notes that, for large cap stocks, a value test is appropriate. Would support a minimum value test of $5,000,000 (equivalent to a market cap of $50,000,000). Notes that micro cap stocks would not fall under the designated block trade umbrella and states that the relatively illiquid trading patterns of the micro cap stocks could result in investors being unfairly disadvantaged by the proposed displacement obligations. **CSTA** – States that a measure based on the size and value of the block in relation to the outstanding shares is appropriate. **TD** – Feels that the $25 million test is appropriate.	Generally, commentators endorsed the $25,000,000 minimum size for a designated block trade. However, with proposed revisions to the manner whereby a Participant complies with the "reasonable efforts" to trade at the "best price" under Rule 5.2, RS is now suggesting that any pre-arranged trade or intentional cross within 5% of the prevailing market be permitted to trade upon filling the "disclosed volume".

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	TSX - Is of the view that a designated block trade should have a value of at least $25,000,000, subject to the minimum limit of 10% of the issued and outstanding securities. Agrees that, as an alternative to the value of a block, a trade should also qualify as a designated block trade if it involves 10% or more of the issued and outstanding shares of the issuer. Agrees that the test should be based on the size of the block in relation to the number of securities outstanding. Does not feel that it is necessary to subject these large blocks to a minimum value test.	
Displacement Obligation 3. The proposal recommends that the displacement obligation be set at the "disclosed volume" in the case of a designated block trade. All orders included in the disclosed volume would be guaranteed execution. Undisclosed volume associated with "iceberg" orders would be ignored. *Should all orders included in the disclosed volume be guaranteed execution prior to the execution of the designated block trade? Should the undisclosed volume of iceberg orders at a better price be ignored?*	**Barclays** – States that, ideally, all orders on a marketplace would be ranked for order of fill by price time priority and under normal circumstances it should not be possible to trade through better-priced orders, including iceberg orders, entered in the limit order book of a marketplace. Notes that if trade-throughs of better priced limit orders were frequent then investors could lose confidence in the market and would not have the incentive to enter orders into the limit order book resulting in less liquid, more volatile markets and less meaningful prices, however, when a broker is attempting to place a large block of stock the broker must call potential counterparties and build a book of orders to clear the market. Notes that this process inevitably results in information leakage that can make it difficult for the broker to execute the trade. States that, normally the market clears at a price that leaves unsatisfied demand so orders in the book are not filled completely. Notes that some investors who learn that the book is oversubscribed and that they will not receive their desired fill may attempt to obtain priority and a larger fill by entering a limit order on the marketplace with a slightly better price. Other marketplace participants who are not involved in the trade may learn that a large trade is about to	The "cap" on the displacement obligation proposed by RS is equal to the "disclosed volume" at the time of the entry of the designated trade. RS did not propose to limit the obligation to 20% of the amount of the order. (This is an attribute of a "wide distribution" undertaken under the rules of the Toronto Stock Exchange.) In the view of RS, the size of the order should not be used to quantify the displacement obligation. (For example, the displacement obligation for a 10,000,000 share order that needs to move the market $0.10 should be less than a 1,000,000 share order that seeks to move the market $1.00.) Currently, all marketplaces in Canada that trade equity securities are "fully electronic". In the Canadian context, there is presently not a need to contemplate the distinctions between a "fast market" and a "slow market" that was a central focus of much of the discussion in the review of Regulation NMS in the United States. If a non-electronic marketplace were to be recognized or registered for the purposes of the Marketplace Operation Instrument, the requirements of UMIR would have to be re-evaluated generally (and not simply the requirements with respect to "moving markets").

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	take place and enter orders on the marketplace with slightly better prices. Notes that both of these factors are obstacles to the execution of the trade. States that iceberg orders complicate this situation further as the broker can not determine whether or not they will be able to execute the trade at the agreed upon price. Notes that, for a trade that meets the definition of a designated block trade RS proposes to cap the displacement requirement at the greater of 20% of the volume of the order and the disclosed volume at the same and better prices on marketplaces. Agrees that this is a reasonable compromise that recognizes the realities of the marketplace, however, feels that there are practical issues with satisfying same and better priced orders on marketplaces that are not fully electronic, and this displacement obligation should be limited to fully electronic marketplaces.	
	BMO – Agrees that for designated block trades, which trade within the proposed 5% thresholds, all orders included in the disclosed volume should be guaranteed execution. States that, to maintain the integrity of the market, they would choose this option and would not be in favour of the Market Regulator having the ability to artificially set a cap in order to limit the amount of a possible give-up. Notes that if the guaranteed execution is limited to the disclosed volume, then the Participant will know with certainty the amount required to be given-up. Notes that the depth of the iceberg orders would not have an impact and an artificial cap would not have to be implemented. Iceberg orders are used to protect against adversely impacting the market price of a security by virtue of the large size of a bid or offer. Notes that the protection will not be without potential cost—undisclosed volume at a better price will be ignored during the execution of a designated block trade. Is in favour of the give-up being limited to disclosed volume	The proposal was designed to allow a Participant to determine its "displacement" obligation independent of intervention by a Market Regulator.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	only.	
	CDC – Answers both questions in the affirmative.	
	CSTA – Notes that as, in order to place a large block of stock, dealers must build a book of orders by communication with multiple parties, information leakage is inevitable and can make it difficult to complete the trade as a result of "opportunistic" reaction on the part of marketplace participants who are not part of the trade or indeed participants in the trade wishing to increase their fill, who enter orders at a slightly better price. Notes further that iceberg orders make it impossible for the dealer to determine their ability to complete the trade at the pre-determined price.	In part, the concern of Participants was that the "information leakage" surrounding the placement of a large block trade would lead to "iceberg orders". To the extent that an iceberg order is bypassed, the person attempting to use the information will not benefit. To take advantage of the information the person would have to enter a "disclosed order" at a better price. In the view of some commentators, the attempt to abuse the situation would be "self-policing" in that future opportunities would not be presented to the person attempting to take advantage of the undisclosed information. Abuse of this type of information is one of the items being considered as part of the strategic review of UMIR.
	TD - Likes the fact that displacement is a function of disclosed volume only. Suggests that the volume cap on the PO's displacement obligation be set firm as a percentage of the intended designated block trade volume. Suggests that this number be dramatically reduced from the current 20% level and would suggest a number of 5% or less. Recognizes that RS's proposal to set the cap as a percentage or multiple of disclosed volume solves the current problem posed by iceberg orders, however believes opportunistic orders that are entered into the marketplace specifically because of the information leakage suffered by a PO attempting to arrange a large block trade will be fully disclosed in the continuous book at a very small increment to the agreed upon block price (such as 1 cent better). Notes that this makes it difficult for the PO to have a clear understanding as to exactly how much of the designated block trade they have to satisfy in the continuous book.	See response to CSTA above.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	TSX - Believes that all better-priced disclosed orders in the central limit order book should be guaranteed execution prior to the execution of a designated block trade. Is of the view that the displacement obligation should be limited only to the disclosed volume in the central limit order book and that undisclosed volume associated with iceberg orders should be ignored. Acknowledge that the cost of programming changes to the TSX and TSX V trading systems to alter the current trade allocation process will be significant. States that if the consensus of marketplace participants and regulators is that the undisclosed portion of iceberg orders should be ignored in these circumstances, TSX will agree that further research should be undertaken to confirm that the number of designated block trades that will be executed on TSX and TSX V justifies the cost of the programming changes. Urges RS to discuss with TSX the manner in which this displacement obligation may be effected on TSX and TSX V. Notes that either a systems programming change on TSX and TSX V will need to be made in order to ensure that the undisclosed volume is not picked up during the displacement process, or manual systems overrides will need to be made each time a designated block trades, to ensure that only the disclosed portion of orders are included in the displacement obligation. Advise that such changes will use considerable technology resources and will require amendment of TSX and TSX V rules.	The proposal by RS recognizes that marketplaces may not have a "systems solution" to allow undisclosed iceberg orders to be bypassed. For this reason, the proposal recognizes that to the extent that a designated trade can not be executed on a marketplace after complying with the displacement obligations the trade may be executed "off-marketplace" and merely reported to the marketplace.
Wide Distributions 4. The proposal recommends that no distinction be drawn between an intentional cross or pre-arranged trade and one which is a "wide distribution" to a minimum number of accounts. *Should there be a different displacement obligation to complete a wide distribution as compared to an*	**Barclays** – Notes that an intentional cross that is not a wide distribution and would not satisfy the definition of a designated block trade should be required to displace all better-priced limit orders, including icebergs, on the marketplace where the trade is executed. If the recognizing regulators do not approve the designated block trade concept	As noted in the Market Integrity Notice, the TSX has indicated an intention to repeal the provisions in the TSX rules regarding wide distributions if the proposal for "designated block trades" is adopted. Generally, none of the commentators saw a need to continue the concept of a "wide distribution" if the "designated block trade" proposal is adopted.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
intentional cross or pre-arranged trade? If so, should a "wide distribution" be allowed to displace less than the disclosed volume or should an intentional cross or pre-arranged trade that is not a wide distribution be required to displace more than the disclosed volume (e.g. there would be some allocation to the undisclosed volume of iceberg orders)? *If provision is to be made for "wide distributions", are the requirements under the current TSX rules appropriate that the distribution be made to not less than 25 separate and unrelated accounts with no one account participating to the extent of more than 50% of the value of the sale; and by a Participant as principal?*	then the current TSX wide distribution rules should be amended to eliminate the requirements that the trade be executed by a participant as principal to not less than 25 separate and unrelated accounts with no one account participating to the extent of more than 50% of the value of the sale. **BMO –** Is of the opinion that the implementation of the Designated Block Trade proposal will eliminate the need for the "wide distribution" provisions. Notes that the proposed Designated Block Trade rules are less restrictive than the current "wide distribution" provisions with respect to when transactions can occur and how the shares must be distributed. **TSX** – Has no comment with respect to whether a different displacement obligation should be required based on the type of trade executed. Notes that, if RS determines that separate provisions should be made for wide distributions, TSX advocates that the current requirements under the TSX Rules are appropriate. Specifically advocates that the requirement that a Participant act as principal in connection with the wide distribution should remain in effect.	To the extent that the concept of a "designated trade" set out in the Revised Proposal will not be defined using a size component, the need for "wide distributions" is reduced even more.
Price Thresholds for a Designated Block Trade 5. The proposal recommends that a designated block trade (with its cap on displacement obligations) can be undertaken if the price is: • not less than the lesser of: o 95% of the best bid price; and o 10 trading increments less than the best bid price; and • not more than the greater of: o 105% of the best ask price, and	**Barclays** - Notes that RS recommends that a designated block trade can be undertaken if the price is within 5% of the posted market, but a 5% band may not allow the execution of a designated block trade at a price that reflects the size of the trade and the liquidity and fundamentals of the security. Recommends a 10% band based upon the best bid and offer. **BMO** – States that bid and offer provide the best indication of where an interest to trade exists.	The proposed 5% band is generally in line with the current requirements on moving the market. Price movements of more than 5% would generally require a movement of the market over a period of time in an orderly manner. RS would note that the TSX is presently proposing to reduce the thresholds on price movement in the Market-on-Close facility from 10% to move 5% in response to comments that the 10% threshold permitted too much volatility. See response to Barclays above.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
○ 10 trading increments more than the best ask price. *Should the thresholds be based on the best ask price and best bid price at the time of the entry of the order or should the thresholds be determined by reference to the last sale price (e.g. the price of the trade could vary from the last sale price by not more than the greater of 5% and 10 trading increments)?*	Notes that this may only be tenuously related to a trade of the size contemplated for a Designated Block Trade. Finds the use of last sale problematic, particularly for illiquid stocks that may trade infrequently. Is not convinced that a restriction of 5% or 10 trading increments deviation is a sufficiently wide range. Recommends that the trading range be defined as not less than the lesser of 90% of the best bid price and 20 trading increments or not more than the greater of 110% of the best ask price and 20 trading increments, as this would be consistent with our trading experience with the types of transactions that would in the future fall under the proposed Designated Block Trade rules.	
	CDC - Reference to the last sale price.	The consensus of the other commentators was a preference for the use of the bid/ask prices which represents the "current market".
	TSX - Believes that the threshold should be based on the best ask price and best bid price at the time of the entry of the order. Is of the view that using a threshold determined by reference to the last sale price is a dangerous practice, particularly for illiquid securities where the last sale price could have occurred hours or even possibly days prior to the proposed designated block trade. States that it is preferable to use the price discovery mechanism (i.e. the best ask and best bid in the central limit order book) in order to determine how to price a designated block trade. States that the best bid price and best ask price represent the existing possible price range for a particular security, whereas the last sale price may not be reflective of where the true value of the security has moved since the last sale was executed.	
Moving the Market Obligations 6. The proposal would require the prior approval of a Market Regulator for a trade that would be at a price that is:	**BMO** – Bid and ask. The thresholds for determining if the transaction falls under the definition of a Designated Block Trade should be 90% or 110%, as	The current guidelines under UMIR are $1 for a security trading at less than $20 and $2 for securities trading at $20 or more. For securities that presently trade at

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
• less than the lesser of: o 95% of the best bid price; and o 10 trading increments less than the best bid price; and • more than the greater of: o 105% of the best ask price, and o 10 trading increments more than the best ask price. In these circumstances, the Market Regulator may require that the market be moved over a period of time. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is more 10% or more. *Should the thresholds be based on the best ask price and best bid price at the time of the entry of the order or should the thresholds be determined by reference to the last sale price (e.g. the price of the trade could vary from the last price sale by not more than the greater of 5% and 10 trading increments)?* *Are the suggested time periods for moving the markets (5 minutes if the variation greater than 5% but less than 10% and 10 minutes if the variation is 10% or more) appropriate?*	appropriate. States trades that move the market up to 10% should be subject to the Designated Block Trade rules and hence subject to no time restriction. States that, for trades where the variation is 10% or more, a time period of 5 minutes would be sufficient, as this recognizes the efficiency of electronic markets and the proliferation of direct access to the marketplaces.	prices above $40, the requirement to move the market over a period of time applies when the movement is less than 5%.
	CSTA - Concerned that the proposed 5% spread may not take into consideration the size, liquidity and fundamental nature of the security and recommends a wider spread based on the best bid and offer. Strongly opposes the 5 minute minimum time period. States that traders can and do enter orders in seconds and that the potential for non-participants to interfere by entering opportunistic orders is too great with a 5 minute period. States that it is possible that interference would prevent the participants from receiving the agreed price and that this will prompt non-Canadian accounts to avoid transacting in the Canadian marketplace. Strongly recommends that, upon application to RS to execute a block trade, a picture of the current displayed orders in the marketplace be taken (not including iceberg orders) and the stock is "frozen" while the transaction takes place. States that this would allow legitimate orders to be filled. New orders placed to make an opportunistic trade would not and could not interfere with the orderly progression of the transaction. States that, unless simultaneous execution is permitted in multiple markets at differing prices, the concept of liquidity should be included in amendments to rules governing "better priced" orders.	The point of the time requirements is to provide all market participants with an opportunity to respond to significant developments. The reasoning in this circumstance is comparable to the imposition of a regulatory halt for the purpose of disseminating material information with respect to an issuer. Interference by “non-participants” is expected. All market participants are expected to consider the new information (being either the material information that is disclosed by the press release or the movement in the market for the security) and respond accordingly.
	CDC - Reference to the last sale price.	The consensus of the other commentators was a preference for the use of the bid/ask prices which represents the “current market”.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	TSX - Best ask price and the best bid price at the time of the entry of the order rather than by reference to the last sale price. Believes that the suggested time frames for moving markets may be too long for all but the most liquid securities, and may encourage front-running ahead of block trade printing. Notes that, as it becomes obvious to Participants that the market is being moved to execute a block, the liquidity of the central limit order book and cost of the market displacement obligation may be negatively affected. States that the longer the mandated time frame to move the market the greater the chance of information leakage and increased trade execution cost. Believes that the time frame for moving the market greater than 5% should be discussed with RS prior to trade execution and should be decided based on the liquidity of the security in question. States that a balance must be struck between maintaining an orderly market and ensuring rapid trade execution.	The current policy contemplates a time period of 10 to 15 minutes for each price movement of $1.00. The proposed time frames are more realistic by contemplating a 5-minute period for price movements of between 5% and 10% and a 10-minute period for a price movement of 10% or more. The proposed time frames are more in line with the general practice on regulatory halts for the purpose of dissemination of material information. RS was of the view that the existing requirements were both too onerous and inequitable in their application (in drawing a distinction between $1.00 price movement for securities trading at less than $20 and $2 for securities trading at $20 or more). RS was of the view that an "objective" test (rather than a subjective test to be determined by RS based on historic or current liquidity) was easier to administer and fairer in its application. As a general principle, the more the price of the trade is intended to vary from the prevailing market the greater the interference that should be contemplated.
Application to Access Persons 7. The proposal recommends that an Access Person when trading directly and not through a dealer should be subject to the requirement that they execute first as against better-priced orders on any marketplace to which they have access as an Access Person. *Should an Access Person who is neither a dealer nor trading through a dealer be subject to the requirement to take reasonable steps to execute first as against better priced orders on any marketplace to which the Access Person has access? Should the proposal apply to an Access Person who is a non-resident?*	**Barclays –** Agrees that Access Persons should have various obligations to marketplaces including transacting 'openly and fairly' and not acting in a manner that is 'manipulative or deceptive' that could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for a security as outlined in UMIR Rule 2.2. However, states that an Access Person's obligation to the "market" generally should not include an obligation to fill 'better-priced' orders on any marketplace to which the person has access. States that Access Persons who are institutional investors and manage assets on behalf of clients are fiduciaries who have a duty to seek 'best execution' for their orders. States that the responsibility of fiduciaries to seek to maximize the value of their clients' portfolios subject to their goals and objectives are of	At the request of the Recognizing Regulators, RS has deleted from the "Off-Marketplace" Proposals the provision to extend to an Access Person the obligation to take reasonable efforts to execute first as against better-priced orders on any marketplace to which they have access as an Access Person. The matter of trade-through obligations will be the subject of a separate proposal.

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	paramount importance. Notes that an institution's best execution obligation can conflict with the proposed obligation to displace 'better-priced' orders on any marketplace to which the institution has access and this conflict is exacerbated when marketplaces have different microstructures that affect the timeliness and certainty of order completion. Notes examples of different market structures are electronic markets that provide firm quotes and immediate execution and manual floor based markets where investors cannot immediately execute against the order book. Notes that, if a manual marketplace has posted a higher bid or a lower offer than an electronic marketplace and so displays the 'best price' as defined by UMIR then an Access Person may be forced to route their order to the manual marketplace and accept slower and less certain executions that can compromise execution quality. Notes that these issues have been well debated in submissions related to Reg. NMS in the United States. Notes that a requirement to displace 'better-priced' orders on any marketplace that an institution has access to coupled with more restrictive short sale tick-rules could mean that the institution is not able to execute at all making it impossible for the institution to provide best execution and the extension of the trade through rule to Access Persons introduces uncertainty whether an order is 'permitted or required to be entered or executed in a foreign market' and could delay trading decisions and hurt execution quality. Further notes that the amendment could require institutions who are Access Persons to monitor many marketplaces resulting in higher monitoring costs. Institutions cannot take comfort that they are not an Access Person of a marketplace because they do not have a direct connection to the marketplace. Notes that MIN 2003-014 expanded the definition of an Access Person to include a	

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	person who has been granted access rights to the trading system of an Exchange or a QTRS either directly or by the means of an electronic connection to the order routing system of a member or user. Notes that, if the Recognizing Regulators approve the expanded definition of Access Persons then many institutions could indirectly become Access Persons to marketplaces that they do not monitor if any counterparty that they have an electronic connection to also has a connection to a marketplace that displays quotes. Notes that the requirement would introduce uncertainty and delays that would result in lower quality of execution. States that many buy-side institutions wrongly believe that this Request for Comments only addresses the replacing of the current wide distribution rules. States that any extension of the obligations of an Access Person to the market such as a new displacement obligation should not be buried within a proposal that many investment managers believe to be unimportant. States that such an extension merits a separate Request for Comment.	
	BMO – Is of the opinion that the rules as proposed are too restrictive. Notes that an informed consent opt-out provision is appropriate for Access Persons and for Participants engaging in proprietary trading. States that an order-by-order, case-by-case requirement would provide sufficient protection of the integrity of the market. Requests clarification of the word "access" in the phrase "access as an Access Person". Notes that there are significant differences between being able to effect a transaction, by giving an order to an intermediary or by direct, electronic access. States that Commissions, settlement complexities, errors, f/x transactions, timing differences, disparate liquidity pools, and allocation algorithms for managers of multiple accounts	The question of whether an "opt-out" should be permitted depends largely on whether the obligation to trade at the best available prices is considered to be a fiduciary obligation which is owed by a dealer to its client (who would be in a position to provide an informed waiver of compliance with that obligation) or is an obligation which is owed by a dealer to the "markets". In the United States, the SEC originally contemplated "opt-outs" as part of its proposed Regulation NMS. The SEC removed the provisions for "opt-outs" when the SEC republished the proposed Regulation NMS in December of 2004. In contrast, UMIR presently provides that a client may not opt out of the "best price" obligation. The current UMIR provision built upon the Canadian tradition that saw that obligation to trade at the

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	may all contribute to an informed and reasonable decision to opt-out of the obligation to pursue a nominally best price bid or offer. Notes that an Access Person who is a non-resident should not be held to a different standard, in theory, but practically jurisdiction cannot be ignored. States that RS must be satisfied that it can enforce the regulations with respect to non-residents and that no entity will be disadvantaged by virtue of geographic location.	best prices as general obligation owed to the markets. For example, prior to the realignment of the Canadian stock exchanges in 2000, the TSX required members of the exchange to honour best prices on other Canadian exchanges (even though this requirement took trading activity away from the TSX).
	CSTA – Very concerned regarding the proposed amendments to Rule 2.1 concerning Access Persons. Strongly disagrees with the extension of the obligations of institutions to include displacing "better priced" orders on any market where the institution meets the definition of Access Person. States that institutional investors managing client investments have a fiduciary responsibility to seek best execution for their orders, which does not necessarily mean filling "better-priced" orders on any marketplace should the consequences mean missing liquidity on another. Notes that being obliged to fill 100 shares and therefore running the risk of missing a larger amount of stock on another market would go against this responsibility. Notes that orders might have to be routed to a manual market, showing a better price but offering slower and less certain execution, by-passing an electronic market that provides firm quotes and instant execution. States that if "Access Person" is expanded then institutions would indirectly become Access Persons to markets they do not monitor if any party they have an electronic connection to also has a connection to a marketplace that displays quotes.	Securities legislation contemplates that institutional investors may undertake trading activity without the need for the trade to be intermediated by a dealer registered in accordance with securities legislation. UMIR recognizes this possibility and does not impose an obligation on an Access Person to conduct all trading activities on a marketplace. If an institution decides to avail itself of trading on a marketplace, then the institution should expect to "play" by the rules of the marketplace. Honouring better-priced orders becomes part of the "cost" of accessing the marketplace. Securities legislation requires that most investors undertake trading activity through a person registered as a dealer under applicable securities legislation. UMIR requires dealers who are Participants to conduct trading activity, when acting as principal or agent, through the entry of orders on a marketplace subject to certain exceptions and exemptions which are enumerated in UMIR. In addition, UMIR requires that a Participant immediately enter on a marketplace "small" orders received from clients. These persons and orders would be disadvantaged if an institutional investor could simply choose to "bypass" them. Institutions have always had "fiduciary responsibilities" to their clients. Prior to the realignment of exchanges in 2000, orders of an institution traded on a Canadian

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
		exchange were subject to the trade-through rules of the Canadian exchanges. Presumably, compliance with the requirements of the Canadian exchanges did not result in the breach of "fiduciary responsibilities".
	MI – Agrees that all market participants should be required to abide by rules of marketplaces and securities laws, but strongly disagrees that this justifies extension of trade-through rule (ie. obligation to fill orders on any marketplace) to Access Persons. States that trade-through is incorporated into best execution, making narrower best price obligation redundant and conflicting. Desire to ensure clients aren't misled by dealers with more information no longer applicable when institutions and individuals can access market data, control trading directly and make informed choices. Notes that justifications for trade-through may be applicable to dealers but not to institutions, as institutions only know their own trades and public information, whereas dealers are in the privileged position of cumulative knowledge of the market through their proprietary and client trades. States that, as trade-through is effectively a "tax" on this privileged position, it should not apply to institutions. Notes that fiduciary obligations to clients are primary; trade-through exists to protect "other people's orders" and therefore should be secondary. Suggests that RS should not conclude that "economic self interest" is not sufficient motivator for institutions, but rather should note that intentional by-passing of better priced orders is evidence that sophisticated investors may conclude that price is not the dominant factor in every trade. Trade-through favours marketplaces with published quotes. States that the rule as drafted may force institutions to avoid direct market access thus avoiding transparency and	Upon the introduction of Marketplace Operation Instrument, it was contemplated that, in the absence of a formal market integrator, each marketplace trading a security would be under an obligation to maintain an electronic connection to every other marketplace trading the same security. With amendments to Marketplace Operation Instrument that became effective on January 4, 2004, the need for each marketplace to maintain an electronic connection was deleted as part of the repeal of Part 9 on "Market Integration for Marketplaces". In making this change, the Canadian Securities Administrators added section 11.5 to the Companion Policy to the Marketplace Operation Instrument which states: "Although the Canadian securities regulatory authorities have removed the concept of a market integrator, we continue to be of the view that market integration is important to our marketplaces. We expect to achieve market integration by focusing on compliance with fair access and best execution requirements. We will continue to monitor developments to ensure that the lack of a market integrator does not unduly affect the market." At the request of the Recognizing Regulators, RS has deleted from the "Off-Marketplace" Proposals the provision to extend to an Access Person the obligation to take reasonable efforts to execute first as against better-priced orders on any marketplace to which they have access as an Access Person. The proposed amendments respecting trade-through obligations will be the subject of a separate proposal. The changes to the Marketplace

Specific Matters on Which Comment Was Requested	Commentator and Summary of Comment	Response to Comment
	regulatory oversight and less liquidity. Suggests instead that such policy results in a decline in overall market quality. Recommends RS re-assess necessity of trade-through for both institutions and dealers, complete with cost-benefit analysis. Notes that UMIR trade-through rule is actually in UMIR policy 5.2 Part 2, while UMIR 5.2 states the best price obligation. States that trade-through must be stated as a rule (not a policy open to interpretation) with opt-out provisions. Suggests strongly that any extension of trade-through should be proposed as a separate rule with a new comment period.	Operation Instrument removed the mechanism which would have allowed orders to "migrate" to other marketplaces with "better-priced" orders. The proposed extension of the obligation to Access Persons is designed to address the "gap" which was created with the elimination of the electronic connection between marketplaces. The order and trade transparency requirements of Marketplace Operation Instrument are designed to ensure that all persons have access to certain basic information. The consolidated market display will provide information on better-priced orders on marketplaces which choose to disclose order information. See response to the comment of Barclays above.
	TSX - Believes that, to the extent possible, UMIR should apply equally to participants who place orders on an exchange and to Access Persons that trade directly on an ATS. Agrees that an Access Person must be subject to the requirement to take reasonable steps to execute first as against better priced orders on any marketplace to which the Access Person has access. States that this ensures that Access Persons who are able to trade securities that are inter-listed between an ATS and an exchange are subject to the same market integrity requirement. If this requirement did not exist, retail customers' orders in the central order book of an exchange could be by-passed by an Access Person entering an order on an ATS at a price that is outside the best bid and best ask on the exchange. Is of the view that to allow such regulatory arbitrage to occur would not adequately ensure the integrity of the Canadian marketplace. Believes that Access Persons who are non-resident should be treated the same as resident Access Persons.	See response to the comment of Barclays above. Currently under UMIR, a Participant that acts on behalf of a non-resident client is able to execute the client's order without reference to the price for the security on a Canadian marketplace. This exemption recognizes that the execution of the order on behalf of the non-resident will be subject to requirements in the jurisdiction where the client resides. If an Access Person is a non-resident that person should have an obligation to honour the "better-priced" orders on a marketplace only if the Access Person trades directly and its order is not handled as a client order by a Participant or dealer.

13.1.2 MFDA News Release - MFDA Pacific Regional Council Hearing Panel Sets Date for Raymond Brown-John Hearing on Merits

MFDA PACIFIC REGIONAL COUNCIL HEARING PANEL SETS DATE FOR RAYMOND BROWN-JOHN HEARING ON MERITS

April 25, 2005 (Toronto, Ontario) - The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Raymond Brown-John by Notice of Hearing dated January 21, 2005.

On Monday, April 25, 2005 at 9:30 a.m. (PST), the Hearing Panel made an Order to commence the hearing on the merits in this matter before a Hearing Panel of the Pacific Regional Council in the hearing room located at the offices of Charest Reporting Inc., 885 West Georgia Street, Suite 1650 in Room 4 on Tuesday, June 7, 2005 at 9:30 a.m. (PST), or as soon thereafter as can be held.

A copy of the Notice of Hearing and related public documents is available on the MFDA web site at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 181 members and their approximately 70,000 representatives with a mandate to protect investors and the public interest.

For further information, please contact:
Gregory J. Ljubic
Corporate Secretary and Director of Regional Councils
(416) 943-5836 or gljubic@mfda.ca

13.1.3 Request for Comments - Amendments to IDA Regulation 100.12 and Schedule 2 of Form 1 Regarding Margin Requirements for Securities Held In a Registered Trader's Account

Investment Dealers Association of Canada –
Regulation 100.12 And Form 1, Schedule 2 –
Margin Requirements For Securities Held
In A Registered Trader's Account

I OVERVIEW

A Current Rules

Current Regulation 100.12(f) and Schedule 2 of Form 1 set out the margin reductions available for security positions held in a registered trader's account and the minimum margin requirements for registered traders, respectively.

B The Issue

In recent years, both the Toronto Stock Exchange and the Bourse de Montréal have introduced market-making reforms whereby responsibilities have been assigned to participating organizations rather than individual registered traders, specialists and market makers. As market-making risk has been transferred from individuals to Member firms, Regulation 100.12(f) and certain requirements in Schedule 2 of Form 1 are no longer necessary.

C Objectives

The main objective of this proposal is to repeal Regulation 100.12(f) and amend Schedule 2 of Form 1 to reflect the transfer of market-making responsibilities from individuals to Member firms by the Toronto Stock Exchange and the Bourse de Montréal.

D Effect of Proposed Rules

The proposal seeks to:

- Eliminate the 25% reduced margin granted to registered traders for certain security positions for which they have on post trading privileges [Current Regulation 100.12(f)]; and

- Eliminate the minimum margin requirement for Toronto Stock Exchange registered traders ($50,000 per trader) and for Bourse de Montréal registered specialists ($50,000 per specialist) [Current Form 1, Schedule 2, Line 7].

The net effect of these proposals, if implemented alone, would be an overall increase in margin requirements for security positions held by an active trader/specialist. The equity margin project proposals, which are pending final approval, are likely to reduce the margin requirements for security positions held in all account, including trader/specialist accounts, since margin rates will be based on the actual market risk of each individual listed security rather than traded price per share. To mitigate any increase in margin requirements, which will ultimately be decreased when the equity margin project proposals are implemented, it is intended that these market-making proposals and the equity margin project proposals will be implemented on the same date. As a result, the impact of these proposed amendments is not expected to be significant in terms of impact on market structure, competition, and costs of compliance and other rules.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

The current rules were developed at a time when stock exchanges assigned market-making responsibilities to individual registered traders and specialists. The rules required each Member firm to provide a minimum capital amount for the market-making risk assumed by it for each individual registered trader and specialist. The rules also granted each Member firm margin relief for certain security positions held in registered trader and specialist accounts for which they had on post trading privileges.

In recent years, both the Toronto Stock Exchange and the Bourse de Montréal have introduced market-making reforms whereby responsibilities have been assigned to participating organizations rather than individual registered traders, specialists and market makers. As market-making risk has been transferred from individuals to Member firms individual market-making requirements are no longer necessary.

The proposal seeks to:

- Eliminate the 25% reduced margin granted to registered traders for certain security positions for which they have on post trading privileges [Current Regulation 100.12(f)]; and

- Eliminate the minimum margin requirement for Toronto Stock Exchange registered traders ($50,000 per trader) and for Bourse de Montréal registered specialists ($50,000 per specialist) [Current Form 1, Schedule 2, Line 7].

The net effect of these proposals is that security positions held in individual registered trader and specialist accounts will be margined in the same manner as security positions held in all other Member firm accounts.

B Issues and Alternatives Considered

No other alternatives were considered.

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary.

D Systems Impact of Rule

It is believed that the proposed amendments, set out in Attachment #1, will have no impact in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that the rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purposes of the proposal are to:

- Facilitate an efficient capital-raising process and to facilitate transparent, efficient and fair secondary market trading and the availability to members and investors of information with respect to offers and quotations for and transactions in securities, and efficient clearance and settlement procedures; and

- Standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to simplify the capital requirements that apply to the security positions held in Member firm accounts and will not impact the public.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is to simplify the capital requirements that apply to the security positions held in Member firm accounts to reflect the market-making reforms of the Toronto Stock Exchange and the Bourse de Montréal. It is believed that the proposal will be effective for this purpose.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- Regulation 100.12,
- Form 1, Schedule 2 Form 1 and Notes and Instructions.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Jane Tan, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA
Regulation 100.12 And Form 1, Schedule 2 - Margin Requirements For Securities Held In A Registered Trader's Account
Board Resolution

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation paragraph 100.12(f) is repealed and regulation paragraphs 100.12(g) and (h) are renumbered 100.12(f) and (g);

2. Line 7 of Schedule 2 of Form 1 is repealed, lines 8 through 12 of Schedule 2 of Form 1 are renumbered 7 through 11 and the references that appear underneath Lines 7, 8 and 52 of Statement A of Form 1, Line 7 of Statement B of Form 1 and Line 7 of Statement D are amended accordingly; and

3. The Notes and Instructions to Schedule 2 of Form 1 are amended by repealing the instructions for Line 7 and renaming the instructions for Lines 9 and 12 as instructions for Lines 8 and 11.

PASSED AND ENACTED BY THE Board of Directors this 13th day of April 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA
Regulation 100.12 And Form 1, Schedule 2 - Margin Requirements For Securities Held In A Registered Trader's Account
Blackline Copy

Regulation 100.12(f)

~~(f) Securities Held in Registered Trader's Account~~

~~25% of the market value if such securities:~~

~~(i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has "on-post" trading privileges;~~

~~(ii) Have traded for a value of not less than $2.00 per share for the previous calendar quarter.~~

~~The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Member of:~~

~~(i) $100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System; and~~

~~(ii) $50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System.~~

~~Margin for the excess position of market value on amounts over $100,000 and $50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Regulation 100.12(f) shall not exceed 50% of the Member's net allowable assets.~~

DATE: _____ SCHEDULE 2

PART II
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

Category		----------Market Value--------- Long	Short	Margin required
1.	Money market	$	$	$
	Accrued interest			NIL
	TOTAL MONEY MARKET			
2.	Bonds			
	Accrued interest			NIL
	TOTAL BONDS			
3.	Equities			
	Accrued interest on convertible debentures			NIL
	TOTAL EQUITIES			
4.	Options			
5.	Futures	NIL	NIL	
6.	Other			
	Accrued interest			NIL
	TOTAL OTHER			
~~7.~~	~~Registered traders, specialists and market makers *[See instructions]*~~	~~NIL~~	~~NIL~~	
~~8~~7.	TOTAL		$ A-52	$ B-7
~~9~~8.	**LESS:** Securities, including accrued interest, segregated for client free credit ratio calculation *[see instructions]*	A-8 & D-7		
~~10~~9.	NET TOTAL	$ A-7		

SUPPLEMENTARY INFORMATION

~~11~~10. Market value of securities included above but held on deposit with Acceptable Clearing Corporations or Regulated Entities as variable base deposits or margin deposits $ _____

~~12.~~11. Margin reduction from offsets against Trader reserves, PDO guarantees or General allowances $ _____

[see Notes and Instructions]

SCHEDULE 2
NOTES AND INSTRUCTIONS

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund.

2. Schedule 2 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.

3. Where the firm utilizes the computerized options margining program of a recognized Exchange operating in Canada, the margin requirement produced by such program may be used provided the positions in the firm's records agree with the positions in the Exchange computer. No details of such positions are to be reported if the programs are employed. Details of any adjustments made to the margin calculated by an Exchange computer-margining program must be provided. For the purposes of this paragraph, recognized Exchange means The Montreal Exchange.

4. The Examiners and/or Auditors of the Joint Regulatory Bodies may request additional details of securities owned or sold short as they, in their discretion, believe necessary.

5. Where there are margin offsets between categories, the residual should be shown in the category with the larger initial margin required before offsets.

Line 1 - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.

Supplementary instructions for reporting money market commitments:

"Market Price" for money market commitments [fixed-term repurchases, calls, etc.] shall be calculated as follows:

(a) Fixed date repurchases [no borrower call feature] - the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.

(b) Open repurchases [no borrower call feature] - prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in (a) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

(c) Repurchase with borrower call features - the market price is the borrower call price. No margin is required where the total consideration for which the holder can put the security back to the dealer is less than the total consideration for which the dealer may put the security back to the issuer. However, where a holder consideration exceeds dealer consideration [the dealer has a loss], the margin required is the lesser of:

    (1) the prescribed rate appropriate to the term of the security, and

    (2) the spread between holder consideration and dealer consideration [the loss] based on the call features subject to a minimum of ¼ of 1% margin.

~~**Line 7** (i) The minimum margin requirement for each TSE registered trader is $50,000.~~

~~(ii) The minimum margin requirement for each ME registered specialist is the lesser of $50,000 or an amount sufficient to assume a position of twenty board lots of each security in which such specialist is registered, subject to a maximum of $25,000 per issuer.~~

~~(iii) The market maker minimum margin requirement is for the TSE $50,000 for each specialist appointed and for the ME$10,000 for each security and/or class of options appointed (not to exceed $25,000 for each market maker in each preceding case). No minimum margin is required where the market maker does not have any appointment.~~

~~The above noted minimum margin for each registered trader, specialist, or market maker may be applied as an offset to reduce any margin on positions held long or short in the registered trading account of such registered trader, specialist or market maker. It cannot be used to offset margin required for any other registered trader, specialist or market maker or for any other security positions of the member.~~

~~The market values related to positions in registered traders, specialists and market maker accounts should be included in the appropriate categories in the preceding lines of the Schedule. Related margin in excess of the minimum margin reported on this line should also be included in the preceding lines.~~

Line ~~9~~8 - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a party to the Basle Accord), which are segregated and held separate and apart as the Member firm's property.

Line ~~12~~11 - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the firm and the trader permitting the firm to recover realized or unrealized losses from the IA reserve account. Include margin reductions arising from guarantees relating to inventory accounts by Partners, Directors, and Officers of the firm (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the firm.

13.1.4 Request for Comments - Amendments to IDA By-law 7.5 and Policy No. 6, Part I (2A) Regarding CFO Qualifying Examination - Late Completion Fee

INVESTMENT DEALERS ASSOCIATION OF CANADA
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE

I OVERVIEW

A Current Rules

As described in IDA Bulletin 3193 dated September 15, 2003, IDA by-law 7.5 and IDA Policy No 6, Part I (2A), all Member firms are required to appoint and register a qualified individual under the NRD registration category - Chief Financial Officer ("CFO").

B The Issue

The new registration requirement came into effect January 5, 2004 and all existing CFOs that held that position at the time of implementation were granted an 18-month transition period to complete the CFO qualification exam. Furthermore, when the employment of a CFO terminates, a Member may appoint a temporary CFO. The temporary CFO can complete the CFO Examination within 90 days and obtain permanent approval, or the firm can within the same 90 day deadline appoint a qualified CFO.

The remedies currently available regarding any current CFOs that have not completed the examination by the deadline would be, in many cases, ineffectual or unduly harsh. IDA staff is proposing to impose a late filing fee as a more moderate and appropriate remedial measure.

C Objective

The objective is to provide an incentive for all registered CFO's write and pass the CFO Qualifying examination on a timely basis.

D Effect of Proposed Rules

The proposed rule will have no impact on:

- market structure
- non-members
- competition
- other rules

The imposition of a late completion fee will not add to the cost of compliance as compliant firms will not be charged any fees.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

The current rule requiring a Member firm to have in place a qualified CFO is IDA By-law 7.5, which reads as follows:

> **"7.5. Chief Financial Officer**
>
> (a) Each Member shall appoint one officer as chief financial officer who, in addition to the requirements under 7.4(a), shall have the qualification required pursuant to Policy 6, Part I.A(2A). The chief financial officer need not be engaged full time in the business of the Member.
>
> (b) Notwithstanding subsection (a), if the chief financial officer of a Member terminates his/her employment with the Member and the Member is unable to immediately appoint another qualified person as chief financial officer, the Member may, with the Association's approval, appoint an officer as acting chief financial officer, provided that within 90 days of the termination:
>
> (1) the acting chief financial officer meets the requirements of subsection (a) and is approved by the Association as chief financial officer; or

(2) another qualified person is appointed chief financial officer by the Member and approved by the Association."

The qualifications in Policy 6, Part I are:

"(a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

(b) The Partners, Directors and Senior Officers Qualifying Examination, and within eighteen months of the coming into force of by-law 7.1 (4) (b) and (c), and this section 2A of Policy 6 Part IA, successful completion of the Chief Financial Officers Examination."

The possible remedies for failure to complete the course on time are the revocation of Approval as a CFO or imposition of another disciplinary penalty under By-law 20.33, or imposition of discretionary early warning by the Vice-President, Financial Compliance, which would make available the early warning business restrictions set out in By-law 30.

The proposed rule would add a late completion fee as another method of prompting CFOs to complete the examination on a timely basis. Such a fee would be more appropriate than the harsher measures available under By-law 30, avoid the procedural complexities of By-law 20 and would not result in a formal disciplinary action being placed on the firm's or individual's record.

The Vice-President, Financial Compliance, would retain the right to impose discretionary early warning and appropriate restrictions where in his opinion the failure to complete the examination resulted in a significant risk to the firm's operations or capital.

B Issues and Alternatives Considered

No alternatives were considered.

C Comparison with Similar Provisions

The Association already imposes fees for various late filings or late completion of educational requirements, including fees for late filing of uniform termination notices under By-law 40.7(2) or strict supervision reports under By-law 18.18 and a late completion fee under Policy 6, Part III (K) for those failing to complete their continuing education requirements on time.

D Systems Impact Rule

There are no systems implications.

E Best Interests of the Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition. Statements have been made elsewhere as to the nature and effects of the late completion fee proposal. The purpose of the proposal is to:

- standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above proposals.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

The proposal will provide a monetary incentive for Members to ensure that their CFO completes the required examination on a timely basis.

C Process

It was not deemed necessary to consult with other IDA committees as it was determined that the late completion fee being proposed is similar to other IDA late completion fees such as Policy 6, Part III (K), continuing education, and By-law 40.7(2), terminations and supervisory reports.

IV SOURCES

References:

- IDA By-laws 7.5, 18.18, 20.33, 30.2 through 30.5 and 40.7(2) and IDA Policy No 6, Part I (A)-2A and Part III (K)
- IDA Bulletin 3193 dated September 15, 2003

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying policy.

The Association has determined that the entry into force of the proposed policy would be in the public interest. Comments are sought on the proposed policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, VP Sales Compliance and Registrations Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Larry Boyce
VP Sales Compliance and Registrations
Investment Dealers Association of Canada
(416) 943 - 6903
lboyce@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE
BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Policy 6, Part I, Section A - 2A is amended by numbering as paragraph (d) the addendum after paragraph (c), by replacing "December 31, 2003", with "January 5, 2004", and "July 1, 2005" with "July 5, 2005", and by adding the following sentence at the end: "A person approved as acting Chief Financial Officer pursuant to by-law 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination."

2. Policy 6, Part I, Section A - 2A is amended by adding new paragraph (e) as follows:

   "(e) Any Member that fails to provide to the Association proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe."

PASSED AND ENACTED BY THE Board of Directors this 13th day of April 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE
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POLICY NO. 6
PROFICIENCY AND EDUCATION:
PART I – PROFICIENCY REQUIREMENTS

A. PROFICIENCY REQUIREMENTS FOR REGISTERED PERSONS

2A. Chief Financial Officers

The proficiency requirements for a chief financial officer pursuant to by-law 7.6 are:

(a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

(b) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination, and

(c) Successful completion of the Chief Financial Officers Examination.

(d) Notwithstanding subsection (c) above, any person approved as Chief Financial Officer with a Member as of January 5, 2004, shall have until July 5, 2005 to successfully complete the Chief Financial Officer Examination in order to maintain approval as Chief Financial Officer. A person approved as acting Chief Financial Officer pursuant to by-law 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination.

(e) Any Member that fails to provide to the Association proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe.

INVESTMENT DEALERS ASSOCIATION OF CANADA
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE
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Chapter 25

Other Information

25.1 Approvals

25.1.1 Sentry Select Capital Corp. - cl. 213(3)(b) of the Loan and Trust Corporations Act

Headnote

Approval under clause 213(3)(b) of the Loan and Trust Corporations Act - Manager of trust unable to rely upon Approval 81-901 - Approval of Trustees of Mutual Fund Trusts as units to be sold pursuant to dealer registration and prospectus exemptions - trust created to facilitate public offering by another trust - each trusts' portfolio linked to the other through forward agreement - manager approved to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c.L.25, as am., clause 213(3)(b).

April 15, 2005

Borden Ladner Gervais
40 King Street West
Toronto, Ontario
M5H 3Y4

Attention: Andrew L. Peel

Re: Application by Sentry Select Capital Corp. (the "Applicant") for approval to act as trustee of MBS Investment Trust II

Application No. 227/05

Further to the application dated April 5, 2005 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application, under the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of MBS Investment Trust II.

"David L. Knight" "Wendell S. Wigle"

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Index