

The Ontario Securities Commission

# OSC Bulletin

June 17, 2005

Volume 28, Issue 24

(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)

**The Ontario Securities Commission**

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

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

Published under the authority of the Commission by:

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

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

Contact Centre - Inquiries, Complaints:

Capital Markets Branch:

- Registration:

Corporate Finance Branch:

- Team 1:

- Team 2:

- Team 3:

- Insider Reporting

- Take-Over Bids:

Enforcement Branch:

Executive Offices:

General Counsel's Office:

Office of the Secretary:

Fax: 416-593-8122

Fax: 416-593-3651

Fax: 416-593-8283

Fax: 416-593-8244

Fax: 416-593-3683

Fax: 416-593-8252

Fax: 416-593-3666

Fax: 416-593-8177

Fax: 416-593-8321

Fax: 416-593-8241

Fax: 416-593-3681

Fax: 416-593-2318



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

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

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

U.S.	\$175
Outside North America	\$400

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

Carswell also offers every issue of the Bulletin, from 1994 onwards, fully searchable on *SecuritiesSource*<sup>™</sup>, Canada's pre-eminent web-based securities resource. *SecuritiesSource*<sup>™</sup> also features comprehensive securities legislation, expert analysis, precedents and a weekly Newsletter. For more information on *SecuritiesSource*<sup>™</sup>, as well as ordering information, please go to:

<http://www.westlawecarswell.com/SecuritiesSource/News/default.htm>

or call Carswell Customer Relations at 1-800-387-5164  
(416-609-3800 Toronto & Outside of Canada)

Claims from bona fide subscribers for missing issues will be honoured by Carswell up to one month from publication date. Space is available in the Ontario Securities Commission Bulletin for advertisements. The publisher will accept advertising aimed at the securities industry or financial community in Canada. Advertisements are limited to tombstone announcements and professional business card announcements by members of, and suppliers to, the financial services industry.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the publisher.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

© Copyright 2005 Ontario Securities Commission  
ISSN 0226-9325  
Except Chapter 7 ©CDS INC.



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

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

# Table of Contents

<b>Chapter 1 Notices / News Releases ..... 5315</b>	<b>Chapter 3 Reasons: Decisions, Orders and Rulings ..... 5373</b>
1.1 <b>Notices ..... 5315</b>	3.1 <b>OSC Decisions, Orders and Rulings ..... 5373</b>
1.1.1 Current Proceedings Before The Ontario Securities Commission ..... 5315	3.1.1 Robert Walter Harris ..... 5373
1.1.2 OSC Notice 11-753 - Statement of Priorities for the Financial Year to End March 31, 2006 ..... 5317	3.2 <b>Court Decisions, Order and Rulings ..... (nil)</b>
1.1.3 Notice of Ministerial Approval - NI 58-101 Disclosure of Corporate Governance Practices and Amendments to MI 52-110 Audit Committees ..... 5335	<b>Chapter 4 Cease Trading Orders ..... 5375</b>
1.2 <b>Notices of Hearing ..... (nil)</b>	4.1.1 Temporary, Extending & Rescinding Cease Trading Orders ..... 5375
1.3 <b>News Releases ..... (nil)</b>	4.2.1 Management & Insider Cease Trading Orders ..... 5375
<b>Chapter 2 Decisions, Orders and Rulings ..... 5337</b>	4.3.1 Issuer CTO's Revoked ..... 5376
2.1 <b>Decisions ..... 5337</b>	<b>Chapter 5 Rules and Policies ..... 5377</b>
2.1.1 Rock Energy Inc. and 6223150 Canada Inc. - MRRS Decision ..... 5337	5.1.1 NI 58-101 Disclosure of Corporate Governance Practices ..... 5377
2.1.2 Dover Corporation (Canada) Limited and Dover Corporation (Canada) Acquisition I Limited - MRRS Decision ..... 5340	5.1.2 NP 58-201 Corporate Governance Guidelines ..... 5383
2.1.3 Thunder Energy Inc., Mustang Resources Inc. and Forte Resources Inc. - MRRS Decision ..... 5344	5.1.3 MI 52-110 Audit Committees and Companion Policy 52-110CP ..... 5387
2.1.4 APF Energy Trust et al. - MRRS Decision ..... 5349	<b>Chapter 6 Request for Comments ..... (nil)</b>
2.1.5 HSBC Bank Canada and HSBC Canada Asset Trust - MRRS Decision ..... 5354	<b>Chapter 7 Insider Reporting ..... 5393</b>
2.1.6 Tradition Asiel Securities Inc. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees ..... 5357	<b>Chapter 8 Notice of Exempt Financings ..... 5489</b>
2.1.7 VECTOR Energy Fund - MRRS Decision ..... 5358	Reports of Trades Submitted on Form 45-501F1 ..... 5489
2.2 <b>Orders ..... 5362</b>	<b>Chapter 9 Legislation ..... (nil)</b>
2.2.1 Intelpro Media Group Inc. - s. 144 ..... 5362	<b>Chapter 11 IPOs, New Issues and Secondary Financings ..... 5493</b>
2.2.2 Secretary to the Commission - ss. 3.5(3) and 7(3) ..... 5363	<b>Chapter 12 Registrations ..... 5503</b>
2.2.3 Northwest Asset Management, Inc. - s. 4.1 of OSC Rule 31-502 ..... 5364	12.1.1 Registrants ..... 5503
2.2.4 China Diamond Corp. - s. 83.1(1) ..... 5365	<b>Chapter 13 SRO Notices and Disciplinary Proceedings ..... 5505</b>
2.2.5 Hugh Alexander Agro et al. - ss. 127(1) (2), 144 ..... 5367	13.1.1 MFDA News Release - Raymond Brown-John 5505
2.2.6 Sun Life Assurance Company of Canada and Sun Life Financial Inc. - OSC Rule 13-502 Fees ..... 5368	13.1.2 MFDA News Release - MFDA Ontario Hearing Panel Makes Findings Against Anthony McPhail ..... 5505
2.3 <b>Rulings ..... (nil)</b>	<b>Chapter 25 Other Information ..... 5507</b>
	25.1 <b>Approvals ..... 5507</b>
	25.1.1 Resolute Funds Limited - s. 213(3)(b) of the LTCA ..... 5507
	<b>Index ..... 5509</b>





July 8, 2005  
10:00 a.m.

**Norshield Asset Management (Canada) Ltd.**

S.127

M. Mackewn in attendance for Staff

Panel: TBA

July 19, 2005  
11:00 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: PMM

August 29, 2005 to September 16, 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**

s.127

September 12, 2005  
2:30 p.m.

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

September 16, 2005  
10:00 a.m.

**Portus Alternative Asset Management Inc., and Portus Asset Management, Inc.**

s. 127

M. MacKewn in attendance for Staff

Panel: TBA

September 28 and 29, 2005  
10:00 a.m.

**Francis Jason Biller**

s.127

J. Cotte in attendance for Staff

Panel: TBA

November 2005

**Andrew Currah, Joseph Damm, Nicholas Weir, Penny Currah, Warren Hawkins**

s.127

J. Waechter in attendance for Staff

Panel: TBA

**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 OSC Notice 11-753 - Statement of Priorities for the Financial Year to End March 31, 2006**

**NOTICE OF STATEMENT OF PRIORITIES  
FOR FINANCIAL YEAR TO END MARCH 31, 2006**

The *Securities Act* requires the Commission to deliver to the Minister by June 30 of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In the notice published by the Commission on April 8, 2005 (28 OSCB 3274), the Commission set out its proposed Statement of Priorities and invited public input in advance of finalizing and publishing the 2005/2006 Statement of Priorities. As of June 6, 2005, ten responses had been received.

There continues to be strong support for initiatives that would improve the efficiency of our markets through harmonization of regulatory requirements. Five respondents specifically expressed support for implementation of a single, national securities regulator. One respondent noted that harmonization initiatives should only be pursued where they are congruent with ultimately establishing a single securities regulator.

Most of the suggestions were supportive and focused on specific action steps that could be taken to achieve the identified priorities. Four letters expressed support for our proposed review of the role of SROs. Our plan to support the Ontario Government in establishing a workable consumer redress mechanism received a mixed response. The views presented ranged from support for the OSC developing an appropriate redress system to leaving restitution matters to the courts. Also, some responders thought the OSC had sufficient powers to deal with the redress issue while others did not think the OSC should have powers to order restitution to investors.

Support for improved enforcement timelines was balanced by concerns that fairness and thoroughness might be compromised in pursuing this goal. One respondent expressed concern about "vigorous" enforcement and noted that our actions should be fair and measured relative to the conduct in question.

Two respondents suggested that we add an initiative to examine the issues related to the differences in investment rules for mutual funds, segregated funds and other pooled funds and to seek a harmonized approach to product and intermediary regulation in this area. In response to these comments an initiative was added to reflect our role in supporting the work of the Joint Forum of Financial Market Regulators on initiatives to achieve greater regulatory co-ordination and consistency across the financial sector.

June 17, 2005

For further information contact:

Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
20 Queen St. West  
Suite 800, Box 55  
Toronto, Ontario  
M5H 3S8  
(416) 593-8179



**THE ONTARIO SECURITIES COMMISSION**

**STATEMENT OF PRIORITIES  
FOR  
FISCAL 2005/2006**

**June 2005**

**Executive Summary**

The Ontario Securities Commission (OSC) remains committed to delivering its regulatory services in a highly professional manner and to working closely with our colleagues within the Canadian Securities Administrators (CSA) and with market participants to ensure the regulatory system remains relevant to the changing marketplace.

This year's Statement of Priorities:

- describes our vision, mandate and overall approach
- assesses key challenges, trends and risks facing capital markets and the OSC in the year ahead
- identifies our goals and the major activities planned to achieve these goals, as well as the measures we will use to gauge our success
- presents our financial outlook for 2005/2006
- reports on our progress against the priorities we set for 2004/2005

Our vision is Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are cost efficient and have integrity.

Our mandate has two key elements:

- provide protection to investors from unfair, improper or fraudulent practices
- foster fair and efficient capital markets and confidence in their integrity

Our goals for 2005/2006 are:

- 1 Providing fair, vigorous and timely enforcement
- 2 Taking actions that better reflect the needs of the retail investor
- 3 Promoting a harmonized, simplified securities regulatory system for Canada
- 4 Contributing to Canada's role as an active and respected player in the global capital market

We will also continue to support the Ontario Government in responding to the recommendations set out in the report of the Standing Committee on Finance and Economic Affairs (SCFEA), including the recommendations focused on:



- protection and redress for consumers of financial services
- the role of self-regulatory organizations (SROs)
- establishing a new Ontario Securities Tribunal
- establishing an independent investment fund governance regime

Our ability to meet our objectives is affected by various external factors that are sources of risk within the global regulatory environment. Potential risks continue to emerge, and it is increasingly important to have a strong, visible and effective enforcement presence in order to detect, deter and prevent abuses in our capital market.

Competition for investors' savings is driving innovation of ever more sophisticated financial products, services and trading strategies. Additional effort needs to be focused on compliance activities and investor education to enhance the level and quality of information provided to investors and to improve their capability to understand this information when making investment decisions. To do this, securities regulators need to continually upgrade their internal expertise. Also, the changing functions of intermediaries continue to alter the structure of the global financial environment. Maintaining and enhancing the global competitiveness of our capital market is becoming increasingly vital because issuers and investors are attracted to opportunities for the best returns for the risks assumed.

As part of our commitment to operate in a transparent and accountable manner, the final section of this document details our performance against last year's plan. By showing leadership and co-operation, we engaged industry participants, investors and other regulators and supported the Ontario Government in making progress towards the goals of strengthening the regulatory system and fostering investor confidence. Our work with the CSA, SROs and international regulatory organizations advanced the development of harmonized best practices in securities regulation. The relationship between our Enforcement Branch and the RCMP has become a model for inter-agency cooperation. Also, the Communications Branch forged new partnerships in the community to expand the reach of our messages on protecting and educating investors.

The past year saw many notable events. Our comprehensive probe into mutual fund trading practices – the largest investigation in OSC history – resulted in enforcement proceedings and settlements totaling \$205.6 million. We implemented and are actively enforcing compliance with the new continuous disclosure rule and our investor confidence rules, which include CEO/CFO certification and the audit committee and auditor oversight rules. A number of important projects related to registration were consolidated into one umbrella initiative, the CSA's Registration Reform Project, and the first phase of that project, the National Registration System, was approved for April 2005 implementation. In addition, we supported new initiatives by the Ontario Government that advance securities regulatory reform.

Our budget for 2005/2006 is \$67 million, an increase of 8.1% over 2004/2005. This increase relates primarily to plans to add staff to our Enforcement, Investment Funds and Investor Communications groups, as required to address our 2005/06 goals while maintaining the high service standards that Ontario investors and other market participants expect.

## Introduction

The *Securities Act* requires the Ontario Securities Commission to deliver to the Minister and to publish in its Bulletin by June 30 of each year a statement by the Chair setting out the proposed priorities for the Commission for the current financial year. The OSC remains committed to delivering its regulatory services in a businesslike manner and to working closely with its colleagues within the Canadian Securities Administrators (CSA) and with market participants to ensure that the regulatory system remains relevant to the changing marketplace.

**Our Vision** Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are cost efficient and have integrity

**Our Mandate** To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity

**Our Approach** We will be

- Proactive, innovative and cost effective in carrying out our mandate
- Fair and rigorous in applying the rules to the marketplace
- Timely, flexible and sensible in applying our regulatory powers to a rapidly changing marketplace

## Key challenges, trends and risks

Our ability to meet our objectives is affected by a range of external factors including economic conditions, the performance of financial markets and social and political developments within the global regulatory environment.

Securities regulators need to continue to improve the timeliness and transparency of enforcement activities so that the public and market participants better understand their actions. It is becoming increasingly important to have a strong, visible and effective enforcement presence in order to detect, deter and prevent abuses in our capital market. New risks continue to emerge. The incidence and awareness of financial crime (e.g., identity theft, internet fraud) has increased markedly. This is a major challenge that law enforcement authorities and securities regulators are working together to address.

The need to promote public confidence in our capital market is ongoing. The *Securities Act* was amended to include provisions that strengthen the regulatory framework and enhance investor confidence. We need to ensure that we apply and administer these powers in an appropriate and balanced fashion.

Competition for investors' savings is driving market innovation both in terms of major changes to the form, risk profile and presentation of traditional products as well as in the creation of ever more sophisticated financial products, trading techniques and strategies. The risk inherent in new products is magnified if disclosure from advisors to clients (e.g., about risks, fees or conflicts) is inadequate. Additional effort needs to be focused on compliance activities and investor education to enhance the level and quality of information disclosed to investors and to improve their capability to understand this information when making their investment decisions. To do this, securities regulators need to continually upgrade their internal expertise.

Financial markets are global. Recent removal of restrictions on foreign investments in registered retirement savings plans will increase the desire of Canadian investors to access these markets. Ease of access to marketplaces has been increased vastly by the changing structure of financial intermediaries. Trades can be executed directly from any location. The emergence of direct links into trading platforms, with less intermediation by investment dealers, and the proliferation of alternative marketplaces continue to alter the structure of the financial environment.

Technology is evolving quickly. This makes innovative products and services easier and cheaper to design, market and deliver to the consumer. Declining trading costs increase market liquidity. This has positive implications for the cost of capital and investor returns. Innovation has been the major driver in reducing trading costs and securities regulators need to ensure that the Canadian capital market keeps pace in a global context in order to ensure these benefits are passed on to domestic investors. However, our increased reliance on technology also brings a growing exposure to potential market disruption by external parties. Securities regulators need to be vigilant in their efforts to anticipate and respond to these potential threats.

Maintaining and enhancing the global competitiveness of our capital market is becoming increasingly vital because issuers and investors are attracted to opportunities for the best returns for the risks assumed. The fragmented Canadian regulatory environment is cumbersome, costly and frustrating for stakeholders. It negatively affects the competitiveness of our capital market and ultimately the ability of our market participants to raise capital on a cost-effective basis.

## Our goals for fiscal 2005/2006

For Canadian financial markets to be attractive to all market participants, they must provide effective protection to investors while being and being seen to be fair and efficient. We need to operate in a transparent and accountable manner and enforce clear rules in a consistent fashion. Our decisions need to keep pace with changing markets.

Our mandate has two key elements:

- to protect investors from unfair, improper or fraudulent practices
- to foster fair and efficient capital markets and confidence in their integrity

Our 2005/2006 Statement of Priorities sets out our key priorities to fulfill our mandate, the major projects we will undertake, and the resources required to complete this work. We will also continue to work on a range of smaller projects as well as our ongoing operational activities to advance our regulatory agenda. We will fulfill our mandate by focusing our efforts on achieving the following goals:

- 1 Providing fair, vigorous and timely enforcement
- 2 Taking actions that better reflect the needs of the retail investor
- 3 Promoting a harmonized, simplified securities regulatory system for Canada

4 Contributing to Canada's role as an active and respected player in the global capital market

We will also continue to support the Government of Ontario in responding to the SCFEA Report including the recommendations focused on:

- protection and redress for consumers of financial services
- the role of SROs (Investment Dealers Association of Canada, Mutual Fund Dealers Association, Market Regulation Services Inc.)
- establishing a new Ontario Securities Tribunal
- establishing an independent investment fund governance regime

**Mandate: To provide protection to investors from unfair, improper or fraudulent practices**

We set rules for participation in our capital market. These rules exist to ensure that investors have fair access to qualified advice and timely information. Our first two goals are key to achieving the first element of our mandate.

**1) Providing fair, vigorous and timely enforcement**

A fair, vigorous and timely enforcement presence is critical to deter undesirable behaviour and, when necessary, to remove participants from our capital market who do not comply with securities laws. We will achieve this outcome by:

- A Improving the effectiveness and transparency of our enforcement work, e.g. through reduced timelines for completing investigations and bringing regulatory proceedings and more timely disclosure of investigations where warranted
- B Focusing additional resources on reducing illegal market conduct
- C Actively monitoring compliance with new rules and devoting more resources to their enforcement
- D Working with our regulatory partners to respond to the recommendations of the Insider Trading Task Force
- E Contributing to effective enforcement through increased coordination with other enforcement agencies and regulators, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs), which are designed to respond to major capital market fraud and market-related crimes. The OSC will refer cases to IMETs that are substantially criminal in nature and share expertise to increase the breadth of investigations.

*We will measure success in achieving this outcome by the following:*

- The current case assessment timeline, where 75% of cases are transferred within six months, will be reduced to less than four months.
- The current investigation timeline, where 75% of files closed without action are completed within six months, will be reduced to three months.
- For surveillance, the average timeline between detection and transfer to investigation/litigation will be reduced from twelve months to less than six months.
- Greater cooperation with IMETs will result in an increase in the number of capital markets offenders who are prosecuted.
- The number of foreign jurisdictions who become signatories to the IOSCO Multi-lateral Memorandum of Understanding (IOSCO MMOU) for cooperation will increase.

**2) Taking actions that better reflect the needs of the retail investor**

Investors face an environment of increasingly complex products with very different elements of risk. Diminishing returns, due to low interest rates on traditional "low risk" securities such as treasury bills and government bonds, are causing investors to seek alternative investments to improve their financial returns. Perceiving the level of risk in the equity markets to be higher, they are

turning to securities that appear "debt-like" with much higher yields or that appear to promise limited downside risk with the potential for substantial gains. The risks involved in purchasing these new products are often not well understood by retail investors and are intensifying the need to better educate investors about various investment products and their risks.

Significant progress on enhancing the quality of information available has been achieved through the introduction of the Canadian Public Accountability Board rules as well as implementation and enforcement of our new continuous disclosure rule and investor confidence rules, which include CEO/CFO certification and the audit committee and auditor oversight rules. Efforts to educate investors will help to ensure that they are able to benefit from the level and quality of information, financial and non-financial, which is available to them.

We plan to increase our focus on retail investors and better understand their priorities and concerns. We plan to concentrate on activities that prevent harm to investors, including a proactive public education program and other actions that better respond to the needs of the retail investor. We see a clear need to improve the interface between investors and financial services professionals to better protect investors against improper, unfair or fraudulent practices. We will achieve this goal by:

- A Implementing measures to engage the retail investor in the regulatory process, including holding Investor Town Hall meetings and establishing an investor advisory committee
- B Considering the needs of all our constituents to ensure the promotion of a customer-focused approach in OSC communications and service delivery
- C In conjunction with the Investor Education Fund, developing and distributing targeted, understandable and relevant public education resources designed to help investors protect themselves when making financial decisions
- D Supporting the Ontario Government in responding to the SCFEA recommendation relating to the establishment of a workable mechanism that would allow investors to pursue restitution in a timely and affordable manner, including studying existing avenues that provide for redress for consumers of financial services and making recommendations to address any deficiencies that may exist in the current system
- E Proposing rule 46-102: *Scholarship Plan Dealers*
- F Working with our CSA colleagues and SROs to introduce principles to improve the interface between investors and financial services professionals including:
  - Transparency of performance against promise
  - Clarity of relationship (on both sides)
  - Transparency of compensation and conflicts of interest
- G Working with the Investment Dealers Association of Canada to improve its arbitration process

*We will measure success in achieving this outcome by the following:*

- OSC service levels will continue to meet standards laid out in the OSC Commitment to Quality Service, as indicated by biennial surveys of public opinion and through internal measures (e.g., telephone inquiries quality score, retention rates for investor education etc.)
- Rule 46-102: *Scholarship Plan Dealers* will be in force
- Recommendations will be developed that will establish a more effective and efficient mechanism for consumers of financial services to seek redress for investor losses
- Changes will be made to SRO rules to create bylaws that improve the interface between investors and financial services professionals as set out above

**Mandate: To foster fair and efficient capital markets and confidence in their integrity**

The second component of our mandate is to foster fair and efficient capital markets and confidence in the integrity of those markets. Our work is influenced by the changing environment in which we operate. Fulfilling our mandate requires us to be

responsive to short-term economic and market developments while maintaining an awareness of key longer-term trends and changes affecting market participants, exchanges and the global regulatory framework.

Our last two goals reflect our plans to pursue harmonization of regulatory systems both domestically and internationally. Wherever practical, we will continue to favour being less prescriptive and more flexible in our regulatory approach and to resort to regulation, as necessary, when it represents a cost-effective solution to address real market problems. Our focus will be to make our capital market safer, more efficient and easier to access for market participants.

### 3) Promoting a harmonized, simplified securities regulatory system for Canada

We will work with other securities regulators and market participants to make the Canadian securities regulatory system better by:

- A Supporting the Ontario Government, in promoting measures that are consistent with creating a single regulator, single securities code and a single fee structure
- B Working with the CSA to further harmonize securities legislation to create a more efficient and seamless single window access for market participants by:
  - streamlining the Mutual Reliance Review System and improving the National Registration System (NRS) by harmonizing registration categories and market conduct requirements
  - addressing issues relating to clarity of market participants' relationships with the investor and greater transparency of fees and conflicts of interest
- C Lead a CSA project to review the recognized SROs and system of regulatory oversight to identify areas for improvement, reduce duplication and inconsistency and enhance effectiveness
- D Proposing National Instrument 81-107: *Independent Review Committee for Investment Funds* to create an independent governance and oversight regime for investment funds
- E Proposing National Instrument 81-106: *Investment Fund Continuous Disclosure* and implementing continuous disclosure compliance capability in the Investment Funds Branch
- F Supporting the Ontario Government in its statutory mandate to review the *Commodity Futures Act*
- G Examining "best execution", including assessing the impact of "soft dollar arrangements", market structure and market fragmentation and developing policies to address these issues
- H Pursuing measures to strengthen the Canadian securities clearing and settlement system, including supporting the adoption of uniform securities transfer legislation and the implementation of fully electronic straight-through processing and electronic audit trails
- I Support Joint Forum of Financial Market Regulators initiatives to achieve greater regulatory co-ordination and consistency across the financial sector. Examples include:
  - completing work on harmonizing Point of Sale Disclosure for mutual funds and segregated funds
  - identifying and analyzing differences in regulatory treatment of mutual funds, segregated funds, pension funds and other pooled investment fund products

*We will measure success in achieving this outcome by the following:*

- Rules will be developed to implement a revised and re-focused national regulatory regime for securities intermediaries
- National Instrument 81-107: *Independent Review Committee for Investment Funds* will be introduced
- National Instrument 81-106: *Investment Fund Continuous Disclosure* will be in force supported by implementation of a continuous disclosure compliance program for investment funds
- Cost benefit analysis will be completed for major initiatives to clearly identify costs and benefits for stakeholders

- We will be a leader in fostering and implementing non-legislative, non-rule alternatives where alternative solutions are appropriate and supported by a better cost/benefit relationship than new regulation

**4) Contributing to Canada's role as an active and respected player in the global capital market**

Through participation with international securities organizations we learn from the experiences of other regulators, we benefit from cooperation among jurisdictions and we participate directly in the development of international standards. We may tailor these standards to meet the needs of our capital market before adopting those standards into our jurisdiction. Our goal is to achieve a level of protection for investors that meets or exceeds the standards established internationally, while minimizing undue burdens on market participants. We will undertake the following initiatives towards achievement of this outcome:

- A Play a leadership role in the work of International Organization of Securities Commissions (IOSCO), by supporting IOSCO's efforts to increase implementation levels of IOSCO standards across its membership and by participating in activities designed to:
- improve cooperation in cross-border investigations through the IOSCO MMOU
  - develop best practices in a variety of areas applicable to investment funds
  - improve the relevance and reliability of financial information available to investors by harmonizing and strengthening financial reporting and auditing standards and the related supporting infrastructure, including mechanisms for independent oversight of audit firms
  - provide consistent guidance on the role and regulation of market intermediaries
- B Play a leadership role with international regulatory associations such as the Council of Securities Regulators of the Americas (COSRA) and the national and international Joint Forums of Financial Regulators, including activities designed to:
- develop initiatives to enhance access to capital by small and medium sized enterprises in the Americas, while providing an appropriate level of investor protection
  - develop high-level cross-sectoral business continuity principles for financial firms and their regulators
  - assess differences in regulatory practices regarding risk management across the banking, insurance and securities sectors
- C Foster inter-jurisdictional co-operation to reduce impediments to information sharing and enforcement support.
- D Continue development of internal control guidelines as set out in MI 52-111: *Reporting on Internal Controls over Financial Reporting*

*We will measure success in achieving this outcome by the following:*

- Harmonized measures developed internationally will be implemented domestically
- OSC representatives will be leaders in important initiatives undertaken by international regulatory associations, such as IOSCO

**2005/2006 financial outlook**

Our goal is to ensure that fees paid by issuers and registrants reflect the costs of regulating each group. Surpluses have been generated since the fee schedule was introduced in March 2003. In March 2005, \$14.9 million of this surplus was refunded to market participants.

Our revenue budget for 2004/2005 was \$67.3 million. The budget reflected our projected ongoing revenue base of \$58.8 million and the expected \$8.5 million one-time impact of transitional payments related to the introduction Continuous Disclosure Rule 51-102. In 2004/2005, \$80.7 million in gross revenues was collected. This total included \$78.4 million in fees collected under the *Securities Act* and the *Commodity Futures Act* and \$2.3 million in investment income and miscellaneous revenues. This

total exceeded our budget by \$13.4 million. The variance was primarily due to higher than expected participation fee revenues as we had more and larger issuers and registrants than originally forecast.

The OSC revenue budget for 2005/2006 is \$67.1 million, 16.9% lower than gross revenues collected in 2004/2005. The budget includes \$65.6 million in fees under the *Securities Act* and the *Commodity Futures Act* and \$1.5 in investment income and miscellaneous revenues. Our budget includes an expected increase in our base revenue forecast, reflecting the higher level of issuer and registrant participation fees experienced in 2004/2005, and the removal of the one-time impact related to Rule 51-102.

Before setting fees for the three-year period ending March 2009, we will review each service activity and its related cost. Activity fees will be set based on the estimated cost to provide the service. Participation fees will be set at levels to recover costs, offset by the OSC's projected surplus as at March 2006. Our experience with the current fee structure positions us to better set fee levels going forward. Our data is now more complete, we have a better understanding of the variables which need to be estimated and the transitional issues in moving from the previous fee structure to the current fee structure no longer exist.

In delivering on our goals there remains an ongoing need for us to ensure that our operations are efficient and effective and to continually work to improve our client service delivery. The OSC has budgeted total 2005/2006 net operating expenditures of \$67.0 million, an 8.7% increase over our 2004/2005 expenditures. The majority of the increase is in staffing costs. Salaries and benefits costs, which account for more than 70% of our costs, are projected to rise by 10.2% to \$48.8 million. Last fall the Commission held a strategic planning session which included a detailed review of our priorities and resources. This analysis resulted in a decision to add eighteen staff. The new staff is primarily in our Enforcement, Investment Funds and Investor Communications groups and will be targeted to address the initiatives set out under our 2005/2006 goals.

These resources will allow us to deliver on our commitment to improve investigation timelines, to complete work related to the recent Mutual Fund Probe including implementation of a continuous disclosure regime for investment funds and to increase the effectiveness of our investor communications. Higher costs for employee benefits, the introduction of a new compliance program which relies on retired industry professionals and development of a knowledge management framework for the OSC are other key factors in the budget increase. Costs associated with our participation in CSA initiatives (net of internal staffing costs) are projected to exceed \$1 million for 2005/2006.

**Report on 2004/2005 organizational priorities**

The four goals published in our 2004/2005 Statement of Priorities were taken from our 2004 – 2008 Business Plan. Under each goal we have set out in a table our progress against the success measures we identified last year. Following the table, each 2004/2005 initiative is presented in italics. Details on our progress towards completion of each initiative are provided below each initiative.

**1. Ontario’s capital market and financial services regulatory system will be fully consolidated, harmonized nationally and coordinated internationally.**

**2004/2005 Success Measures**

<b>Measure</b>	<b>Progress</b>	<b>Status</b>
Market participants will use fewer points to access the market conduct regulatory system in Canada	<p>Quebec joined the National Registration Database (NRD) in January 2005.</p> <p>A number of important projects related to registration were consolidated into one umbrella initiative, the CSA’s Registration Reform Project, and the first phase of that project, the National Registration System, was approved for April 2005 implementation.</p> <p>The CSA’s proposed Uniform Securities Act contained several legal mechanisms (e.g. delegation of authority, mutual recognition) to enable “one stop” regulation for market participants.</p>	Ongoing
As impediments to investigation and enforcement initiatives created by international boundaries are reduced, we will re-focus resources on other initiatives	<p>Securities regulators in four countries committed to reform their laws to enable them to become IOSCO signatories and one regulator was accepted as a full signatory to the MMOU, raising the total number of full signatories to 26 (including the OSC). During 2004/2005 we responded to 38 requests and made 4 requests for information under the IOSCO MMOU.</p> <p>Enforcement staff actively participated in several projects undertaken by IOSCO’s Standing Committee 4 to improve cross-border cooperation. Further work is required.</p> <p>Discussions with a number of “secrecy” jurisdictions have led to a growing willingness to address our requests for information.</p>	Ongoing
Harmonized measures developed internationally will be implemented domestically.	<p>IOSCO’s <i>Principles for Addressing Sell-Side Analysts Conflicts of Interest</i> were adopted by the Investment Dealers Association of Canada (IDA) in Policy 11: <i>Analyst Standards</i>.</p> <p>IOSCO’s <i>Principles for Auditor Oversight</i> has been implemented with the creation of the CPAB.</p>	Ongoing

**2004/2005 Results**

**Engaging regulators, governments and industry participants in moving towards a single securities regulator or a more effective national securities regulatory system with a uniform securities code.**

In June 2004, the Government of Ontario released a discussion paper, Modernizing Securities Regulation in Canada, that outlines Ontario’s proposal for securities regulatory reform in Canada. The proposal envisions provinces and territories working together to move to a new securities regulatory framework that features a common securities regulator, a common body of securities law and a single fee structure.

As part of the Five Year Review of the *Securities Act*, the SCFEA looked at the province’s proposal for a single securities regulator and concluded that the Government of Ontario should continue to take a leadership role to move to a common regulator for Canada. We will continue to support the Government of Ontario in responding to the recommendations set out in the SCFEA report. On February 18, 2005, the Government of Ontario announced the appointment of a panel, chaired by Ronald Daniels, Dean of the University of Toronto Law School, to advance the design of a common securities regulator. The panel is expected to report by end of June 2005.



***Participating actively in the International Organization of Securities Commissions (IOSCO), the Council of Securities Regulators of the Americas (COSRA) and the national and international Joint Forums of Financial Regulators and, where appropriate, providing leadership on initiatives. Fostering inter-jurisdictional co-operation to reduce impediments to information sharing and enforcement support.***

We continued to participate actively in these international organizations. Our international activities give us opportunities to increase cooperation among jurisdictions, participate directly in developing international standards and learn through other regulators' experiences. For example, we used a checklist developed internationally to create the framework for the CPAB.

The OSC was selected by IOSCO's Technical Committee (consisting of regulators from most of the world's largest and most developed capital markets) to chair its Standing Committee 3 (SC3) on Market Intermediaries. Under the OSC's leadership, SC3 developed international standards for outsourcing of financial services by securities firms and coordinated its work with the international Joint Forum, which developed high-level cross-sectoral outsourcing principles for the banking, insurance and securities sectors.

The OSC was elected to IOSCO's Executive Committee for a two-year term. This election constitutes recognition by IOSCO members of the contribution that the OSC has made, and is expected to make, to the development of harmonized, internationally recognized best practices in securities regulation.

During 2004/2005, the OSC participated in IOSCO committees and task forces that,

- developed a Code of Conduct for credit rating agencies,
- produced a comprehensive report and action plan for combating financial fraud in capital markets,
- issued international standards for client identification and beneficial ownership in the securities industry,
- published a report and recommendations for improving transparency in corporate bond markets,
- completed a comprehensive multi-jurisdictional survey regarding the implementation of international best practices for auditor oversight, and
- developed international best practice standards applicable to the fees and expenses of investment funds.

The OSC also participated in IOSCO committees and task forces that published consultation reports on error trade policies in regulated securities markets, anti-money laundering guidance for investment funds and international standards to combat market timing in investment funds. We also participate in a task force that develops tools and delivers training to help regulators in emerging markets understand and implement IOSCO standards.

The OSC hosted delegations from European, Asian and African countries interested in learning about the Ontario securities regulatory system, as well as responding to numerous requests for information from regulators in other countries. We also developed and hosted an international conference, Intelligence-Led Regulation: Organized Crime in the Financial Markets, which brought together participants from 19 countries to discuss techniques for detecting and derailing financial crime before it causes harm. These meetings and conferences are used to develop relationships and generally lead to greater cooperation with other regulators. They also provide an opportunity for jurisdictions to share their experiences in dealing with problems.

***Providing an effective enforcement deterrent through increased coordination with other enforcement agencies and regulators, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs) designed to respond to major capital markets fraud and market-related crimes.***

Enforcement staff actively participate in an IOSCO screening group that evaluates applications by securities regulators to become signatories to the IOSCO MMOU and provides advice to applicants on how to amend their laws and procedures to improve their ability to cooperate in cross-border investigations. Enforcement staff also actively participated in several projects undertaken by IOSCO's Standing Committee 4 to facilitate enforcement-related cooperation among international jurisdictions, including jurisdictions that have not been cooperative in the past. Discussions with a number of "secrecy" jurisdictions have led to a growing willingness to address our requests for information. During 2004/2005 we responded to 38 MMOU requests for information from other jurisdictions and made four requests for information.

The relationship between our Enforcement Branch and IMETs has been viewed as a model for cooperation. The Enforcement Branch has referred several cases to IMETs which are now under active investigation. Enforcement staff seconded to IMETs is assisting in the investigation of a number of cases. In addition, Enforcement staff is working directly with the Royal Canadian

Mounted Police (RCMP) and the Ontario Provincial Police (OPP) on two major investigations. In addition, our Enforcement Branch is working on several very substantial matters with police forces and regulators in other countries.

***Continuing to improve the national electronic information systems (e.g. SEDI, SEDAR, NRD) and to lever these investments to facilitate the activities of market participants***

Improvements to the National Registration Database (NRD) continue. Quebec joined the NRD in January 2005 and all registrants in Canada are now on the system. The NRS was approved by all Commissions in December 2004 and will be implemented by April 2005. The NRS is the first step in the Registration Reform project which is a CSA initiative to harmonize, modernize and streamline the registration system in Canada. The OSC Executive Director is leading this project that will lead to both uniform categories of registration and uniform conduct rules for registrants. The project will incorporate some of the key concepts of the Fair Dealing Model and is being managed by a steering committee with representation from the Alberta Securities Commission (ASC), British Columbia Securities Commission (BCSC), the IDA, the Mutual Fund Dealers Association of Canada (MFDA), the Autorite des Marches Financiers (AMF) and three industry representatives. Non-employment relationships and the establishment of a flexible business model for mutual fund sales representatives will be addressed as part of the registration reform project.

We implemented various changes to improve the System for Electronic Disclosure by Insiders (SEDI), System for Electronic Document Analysis and Retrieval (SEDAR) and NRD and contributed \$1 million from revenues generated by late filing fees to improve SEDI's user-friendliness. We also performed a targeted review of certain insider reports filed on SEDI, our newest system, to assess the quality of insider reporting, improve compliance with insider filing requirements and ensure the completeness of SEDI filings. A notice to be published in the spring of 2005 will present our findings and recommendations for best practices to assist various market participants with their filing obligations.

***Pursuing measures to strengthen the Canadian securities clearing and settlement system, including leading CSA initiatives to support implementation of a Uniform Securities Transfer Act and regulatory measures to facilitate the implementation of fully electronic, straight-through processing of securities by June 2005.***

The OSC continued to lead the CSA Task Force on the Uniform Securities Transfer Act (USTA). A consultation draft of the USTA and consequential *Ontario Business Corporations Act/Personal Property Security Act* amendments was republished in May 2004. In August 2004, the Uniform Law Conference endorsed the USTA. The SCFEA also unanimously recommended that the Ontario Government introduce securities transfer legislation modeled on legislation in place in the United States.

In September 2004 the CSA published responses to public comments received in connection with the proposed *Uniform Securities Act* and *Model Securities Administration Act* published as part of the CSA's Uniform Securities Legislation (USL) initiative. The CSA's proposed *Uniform Securities Act* contains several legal mechanisms to enable "one stop" regulation for market participants including provisions that would permit delegation among provincial securities commissions, mutual recognition, and adoption of another provincial securities commission's decisions.

Significant progress was made towards implementation of straight through processing as CSA staff published various documents in April 2004 (Discussion Paper 24-401: *Straight Through Processing*, Proposed National Instrument 24-101: *Post Trade Matching and Settlement* and Companion Policy 24-101CP). Responses to these documents were received in February 2005.

An industry committee provided recommendations regarding the implementation of the electronic audit trail as set out in Part II of National Instrument 23-101: *Trading Rules*. OSC and self-regulatory organizations (SROs) are working to develop a Request for Proposal (RFP) and will continue to consult the industry regarding the RFP and the implementation plan.

**2. Market participants and investors will have confidence in the integrity of Ontario's capital market.**

**2004/2005 Success Measures**

Measure	Progress	Status
Public surveys of market participants will show an increase in confidence.	A benchmark measurement for mutual fund investors was established in 04/05. The impact on investor confidence of our recently completed mutual fund probe will be measured in our next survey which is scheduled to be completed in 2006. A broader range of investors will be covered with this survey.	Ongoing
The revised framework for regulating mutual funds will significantly update and simplify product regulation for mutual funds in the area of conflicts of interest and result in fewer requests for exemptions.	Proposed National Instrument 81-107: <i>Independent Review Committee for Investment Funds</i> was published for consultation. The second comment period is to be completed early in 2005.	Rule is targeted for completion in 2005.
Implementation of a revised and re-focused national regulatory regime for securities intermediaries.	The OSC is leading a CSA group in drafting a national registration requirements rule to harmonize, streamline and modernize registration categories, proficiency requirements for intermediaries and conduct rules. We expect to present the rule to the Commissions for approval in December 2006.	Ongoing

**2004/2005 Results**

***Working with the provincial government and our CSA colleagues to respond to the Report of the Five Year Review Committee and to develop legislative initiatives to strengthen our regulatory system and improve investor confidence.***

In June 2004, the SCFEA was directed by the Ontario Legislative Assembly to review the priority recommendations of the *Final Report of the Five Year Review Committee* including the recommendations relating to the need for a single regulator system and the appropriate structure for the adjudicative tribunal role of the Commission. In August 2004, the SCFEA held public hearings to review the Final Report of the Five Year Review Committee. The OSC Chair made oral and written submissions to SCFEA including a status report on OSC action taken to date with respect the Five Year Review Committee's recommendations. The OSC submission also recommended that SCFEA give priority to four initiatives requiring legislative attention:

- The need to proclaim amendments to the *Securities Act* that have been enacted that would create a regime for statutory civil liability for secondary market disclosure, and add express prohibitions against fraud, market manipulation and misrepresentation.
- The need for better and more flexible tools to deal effectively with securities regulators in other Canadian jurisdictions, including statutory amendments to facilitate inter-jurisdictional delegation of decision-making.
- The need to reduce the regulatory burden and facilitate quick responses to new situations by allowing the Commission to issue blanket rulings and orders that provide exemptive relief to market participants.
- The need to catch up to changes in how commercial law deals with the transfer and pledging of securities. This is an area where Canada lags the U.S. and the European Union.

Our submission also addressed the challenge faced by SCFEA in examining the Commission's structure and the need to balance the advantages and disadvantages of different models to determine if the current structure continues to be the best to serve Ontario investors and market participants. The OSC tabled a report on the structure of the Commission, which the OSC commissioned from a committee headed by Ontario's Integrity Commissioner, Coulter Osborne. The report examined the structure of the Commission and the potential for the perception of bias and the possibility that such perception would erode the credibility of the Commission. While the report advised the OSC to undertake structural changes that will require authorizing legislation, the report found no legal impediment to the OSC continuing to fulfill its adjudicative responsibilities and functions on a business-as-usual basis.

In October 2004, SCFEA tabled its final report, containing 14 recommendations. Among other things, SCFEA endorsed the need for a single securities regulator, recommended that the Commission's adjudicative function be separated from its other functions, and recommended that the Ontario Government re-introduce the relevant provisions of former Bill 41 (containing technical amendments to the statutory civil liability regime for secondary market disclosure) and proclaim the civil liability provisions in force. The Ontario Government reintroduced the technical amendments, which received Royal Assent in December 2004 but have not been proclaimed in force yet. We are studying several of SCFEA's other recommendations that were addressed to us.

***Appropriately applying the new powers arising from changes to the Securities Act.***

Some of the proposed changes to the *Securities Act* recommended in the Five Year Review report and supported by the OSC were not endorsed in the SCFEA Report (e.g. blanket exemptive relief). SCFEA recommended that we jointly study options to allow the OSC to deal with recurring requests for discretionary relief.

***Actively monitoring compliance with new rules and placing increased resources into their enforcement.***

Our Corporate Finance and Enforcement branches have developed and implemented a process for "simplified proceedings" involving failures to comply with existing and new rules. Hearings have been conducted in relation to these matters. This approach offers an efficient vehicle to ensure compliance with all aspects of Ontario securities law, without interfering with the time the Commission needs to spend addressing highly complex and serious cases.

The Corporate Finance Branch's continuous disclosure review program again met its objective of reviewing 25% of Ontario reporting issuers annually. Full reviews focused on compliance with the continuous disclosure requirements in new NI 51-102. Targeted reviews addressed compliance with (1) the technical report requirements in National Instrument 43-101 *Standards of Disclosure for Mining Projects*, (2) certain aspects of Multilateral Instrument 52-110 *Audit Committees*, (3) the registration requirements in National Instrument 52-108 *Auditor Oversight*, (4) the Business Acquisition reporting requirements in NI 51-102 and (5) overall compliance with the insider reporting requirements.

***Adopting project management techniques to increase the efficiency of the investigation process.***

Project management techniques are in place for the management of the investigation process. Substantial technology advancements designed to enhance the project management function were put in place near the end of the year.

***Working with our regulatory partners to respond to the recommendations of the Insider Trading Task Force by March 2007.***

Our Enforcement Branch is taking a leadership role in the analysis and implementation of the Insider Trading Task Force's recommendations. All projects arising from the recommendations are on track.

***Developing and proposing a revised framework for regulating mutual funds and their managers that relies on independent oversight as a means to address conflicts of interest.***

In January, 2004, the first draft of Proposed National Instrument 81-107: *Independent Review Committee for Investment Funds* was published for comment. This proposed rule is designed to promote investor protection in investment funds while fostering market efficiency. It proposes the requirement for publicly offered investment funds to have an independent governance body charged with reviewing conflicts of interest that may arise out of the management of the funds. Based on comments received, the CSA working group has been developing a revised draft rule that they expect to publish for second comment by June 2005.

***Examining the "best execution" issue, including assessment of the impact of "soft dollars", market structure, and market fragmentation and developing strategies to address the findings.***

We completed an examination of "best execution" issues, specifically assessing the impact of "soft dollars" in the management of mutual funds, and published Concept Paper 23-402: *Best Execution and Soft Dollar Arrangements* in February 2005.

***Developing a revised regulatory approach to address the emergence of alternative investment products.***

Our Investment Funds Branch addressed the emergence of alternative investment products and strategies over the past year by: (1) requiring enhanced prospectus disclosure for exchange-traded alternative investment products; and (2) considering exemptive relief applications on an *ad hoc* basis to respond to the conventional mutual fund industry's requirements for innovation. In 2005/06, the Branch intends to develop a more systematic approach to regulating alternative investment products and strategies by proposing revisions to long form prospectus requirements for all exchange-traded funds (including those using alternative investment strategies) and reviewing the existing rules to consider further accommodating alternative investment strategies.

**Working with our CSA colleagues and the SROs to put in place by 2006 the four pillars of a Fair Dealing Model which are: (1) clarity of relationship (on both sides); (2) transparency of compensation and conflict; (3) transparency of performance against promise; and (4) simplified, harmonized and streamlined approach to registration.**

After consultation with industry and the CSA, a number of registration related projects being worked on concurrently by OSC and CSA Staff were consolidated into one project. The Registration Reform Project is an umbrella CSA project which includes the National Registration System, implementing the core principles from the Fair Dealing Model and harmonizing, streamlining and modernizing registration requirements (including categories of registration). The Registration Reform Project is led by a steering committee chaired by the OSC Executive Director with representation from the AMF, ASC, BCSC, IDA, MFDA and three industry representatives.

The National Registration System will be implemented in April 2005. Three working groups were established and have prepared direction documents for the SROs to draft by-laws related to the core principles of the fair dealing model. The direction documents deal with Account Opening documentation, Transparency of Costs and Conflicts, and Performance Reporting. A separate CSA group is drafting a national registration requirements rule that will result in harmonized, streamlined and modernized registration categories, proficiency requirements for intermediaries and conduct rules. The rule is expected to be ready for presentation to the Commissions for approval in December 2006.

**3. Regulatory interventions in Ontario will be balanced and merit based.**

**2004/2005 Success Measures**

Measure	Progress	Status
It will be clear to investors, issuers and intermediaries that the benefits of regulation measurably and significantly outweigh the costs of regulation.	Cost-benefit analyses were completed and published for major projects such as MI 52-111: <i>Reporting on Internal Controls over Financial Reporting</i> , the Joint Forum Point of Sales Disclosure and the Registration Projects.	Ongoing
We will be a leader in fostering and implementing non-regulatory alternatives where such action is supported by a better cost/benefit relationship than new regulation.	The OSC participated in an IOSCO Task Force that developed a Code of Conduct for credit rating agencies (CRAs). It is expected that market pressure will induce CRAs to adopt the provisions of the Code of Conduct, thereby eliminating any need to introduce a more costly regulatory approach, such as a licensing or registration requirement.  Draft National Policy 58-201 <i>Corporate Governance Guidelines</i> provides guidance to issuers on corporate governance practices. These guidelines are not intended to be prescriptive and companies are encouraged to consider the guidelines in developing their own corporate governance practices. The policy is accompanied by a disclosure rule that will require reporting issuers to keep the market informed about those practices.	Ongoing
The effective cost and burden of regulation will be competitive with our peers, without undermining investor protection and confidence.	The OSC analyses the potential cost and benefits of new Rules prior to issuing them for comment. An important part of this analysis is the comparison to other jurisdictions.	Ongoing

**2004/2005 Results**

**Making appropriate changes to our practices as a result of the recommendations of the Regulatory Burden Task Force.**

In response to the recommendations of the Regulatory Burden Task Force, OSC staff, in conjunction with other CSA staff and Market Regulation Services Inc. created a national Cease Trade Order Database. This centralized source of cease trade orders issued against issuers and individuals can be accessed at [www.rs.ca](http://www.rs.ca).

The OSC published for comment an amended version of National Instrument 44-101 *Short Form Prospectus Distributions*. The amended rule would expand eligibility to the short form system, thereby simplifying the prospectus regime.

Amendments to National Instrument 55-101: *Exemption from Certain Insider Reporting Requirements* will come into force by April 30, 2005. These amendments will exempt certain individuals who hold the title of "senior officer" in a reporting issuer or subsidiary of a reporting issuer from insider reporting requirements if, among other things, they do not routinely have access to material, undisclosed information. These amendments will eliminate the need for such insiders to seek exemptive relief.

***Consistently applying risk-based criteria in enforcement cases to ensure matters pursued by staff give appropriate consideration to Commission priorities.***

The OSC is leading the CSA Insider Trading Task Force initiative, has established a project to investigate concerns about leakage of information in special warrant offerings, and has initiated steps to work with RS to streamline insider trading investigations. Currently 50% of the matters in investigation involve illegal insider trading. During the current fiscal year, the branch initiated five illegal insider trading proceedings (compared to three the year before). There are six additional illegal insider trading cases that have been transferred to litigation and are currently in the Enforcement Notice process.

***Improving accountability through the use of rigorous cost benefit analysis, impact analysis and risk based assessments for all proposed initiatives.***

The OSC conducted a thorough probe into mutual fund trading practices (in particular, market timing and late trading) that began in November 2003 and concluded in December 2004. The probe resulted in enforcement proceedings and settlements totaling \$205.6 million with five fund managers. This was a cross-Branch initiative involving staff from Compliance, Enforcement, Investment Funds and the Office of the Chief Economist (OCE). Risk-based criteria were applied throughout the three phases of the probe to assess the information obtained from fund managers involved and to assess the potential harm to investors. We are now developing policy responses to our findings from the probe and have begun consultation with stakeholders in that process.

We completed a comprehensive cost-benefit analysis (CBA) of proposed MI 52-111 *Reporting on Internal Controls over Financial Reporting* and then developed an implementation schedule, based on statistical data about the distribution of listed Canadian issuers and the number and total size of the firms affected by the proposed instrument.

The OCE implemented and continues to support the Earnings Risk Criteria for continuous disclosure. Using the Earnings Risk Criteria, Corporate Finance staff have increased the rate at which they find deficiencies in disclosure from 70% to over 90% of companies examined.

Using risk-based criteria, the OCE has referred a significant number of cases, now under investigation, to our Enforcement branch. The OCE is also supporting our Enforcement Branch through the use of Event Studies.

The OCE continues to help staff in other branches carry out CBAs, as well as taking primary responsibility on major projects like proposed MI 52-111, the Joint Forum's Point of Sales Disclosure Project and the Registration Reform Project. The OCE will oversee the CBA for the parts of the Registration Reform Project to be implemented by the SROs.

**4. The OSC will have superior and transparent governance and accountability mechanisms.**

**2004/2005 Success Measures**

<b>Measure</b>	<b>Progress</b>	<b>Status</b>
Investors, issuers and other market participants who use the Ontario capital market will be afforded access, protection, education and information at levels similar or superior to those of the best of our peer group.	OSC staff is invited to speak at Investor Education training sessions because we are at the leading edge of our field. Positive free coverage of investor education content and resources has doubled over the last fiscal year confirming that we are continuing to provide information that's relevant and of interest to the general public. OSC investor education resources continue to be popular as measured by public requests (51,000 brochures and kits ordered), the number of investors reached directly at events (9000) and web traffic on <a href="http://www.investorED.ca">www.investorED.ca</a> (doubled over the fiscal year). Investors are extremely satisfied with the quality (92% satisfaction rating) and presentation (96% readability rating) of information available as measured by surveys.	Ongoing
OSC governance practices and policies meet or exceed disclosure requirements for public issuers.	We are continuing to examine our practices to determine where it is appropriate for a regulatory body to conform to the corporate governance requirements for public companies. We implemented a Lead Director with a mandate to oversee OSC Board governance practices and to facilitate adherence by the OSC Board to the highest standards of corporate governance. We have enhanced disclosure of our corporate governance practices by publishing the composition and mandates of our Board, our Lead Director and our Board committees on our website.	Ongoing
Public surveys of market participants will sustain positive ratings for OSC customer service.	Customer services standards were published in our 2004 Annual Report. Our performance against these standards will be assessed as part of our stakeholder survey to be completed in 2006.	To be completed in 2006.
100% of OSC communications will be accessible electronically by 2005.	All publications are available electronically on our website. We provide a free, public-access twelve-week rolling on-line version of the OSC Bulletin (OSCB). We also post a weekly Table of Contents of the OSCB on our site, with links to all material that can be found on the OSC website. The Bulletin is available electronically through the Carswell service.	Complete

**2004/2005 Results**

***Continuing to promote a customer focused approach to our communications and service delivery.***

The OSC is committed to communicating with many diverse stakeholder groups, including reporting issuers, registrants, investors and the general public regarding, among other things, major OSC and CSA policy initiatives and the impact of emerging issues on Ontario's capital markets and its participants.

Service to our stakeholders is a top priority for the OSC. The OSC Commitment to Quality Service, which was published for the first time in the 2004 Annual Report, documented standards already in place throughout the organization. All new staff in the Inquiries and Contact Centre participate in a tailored two-day, intensive customer service training program, with refreshers for all staff in the Centre. In addition, a call quality program assists in maintaining our service commitment and in identifying knowledge and skill areas for individual and team development.

The OSC's Inquiries and Contact Centre maintains a 24-hour telephone information service (with answers to six frequently asked questions), as well as a general inquiries voice mailbox, with responses to questions by end of next business day. The Centre receives and responds to inquiries and complaints in the delivery mode of choice - fax, mail, email or telephone.

The OSC recognizes the importance of a policy of openness and accessibility for all external communication. The Communications team continues to maintain a high level of accessibility to Canada's business reporters, as a way of communicating important information to investors and the general public. In Fiscal 04/05, the OSC Chair and Vice-Chairs presented at numerous Canadian capital markets events, on major policy initiatives and market issues. Through participation in these events, the OSC was able to reach representatives from all of the organization's major stakeholder groups.

In July 2004, we released a final report on the OSC Stakeholder Satisfaction Study Wave 3. Key stakeholders were surveyed on a broad range of topics, including service quality, fulfillment of mandate and success of major OSC initiatives. The results of this study were considered by the OSC in setting the priorities and goals for Fiscal 05/06.

***Expanding the use of partnerships to deliver investor education products to target groups and continuing to tailor the form and method of access to OSC communications to the needs of OSC constituents, including implementing predominantly electronic-based communications vehicles.***

The OSC Investor Communications team continued to implement community outreach and public awareness initiatives in Fiscal 04/05, through partnerships and paid and unpaid targeted media penetration. The OSC Staff Ambassadors program trains OSC staff from all branches to deliver messages on investor protection, fraud awareness and regulatory issues. Ambassadors speak to community groups, seniors, high school students and industry groups across Ontario. Since the program launch in November 2003, we have trained 87 OSC staff members, delivered more than 55 presentations and directly reached 2,811 Ontario investors. The OSC Staff Ambassadors program means that we can respond to more speaker requests, and promote investor education resources at targeted events.

The OSC Investor Communications team forged partnerships with community groups (e.g. Ontario Rotary Clubs), government agencies (e.g. the Ontario Council of Agencies Serving Immigrants), and media outlets (e.g. NewsCanada, City TV) to deliver investor protection messages to larger audiences.

***Continuing to enhance the transparency of OSC corporate governance practices, adjudicative policies and accountability mechanisms.***

Accountability and transparency were two of the many areas explored at this year's Dialogue with the OSC 2004, "Facing the Issues." Every session included at least one industry representative, with some sessions having a majority of external panelists. More than 400 people attended or directly participated in the event.

Transparency of the OSC's corporate governance practices, adjudicative policies and accountability mechanisms was addressed in the new OSC *Governance* section of the Annual Report. The section includes information on accountability and oversight, Board role and effectiveness, financial accountability, and the role of OSC Commissioners and Board Committees. The Report also included an *Accountability to our Stakeholders* section, with an overview of stakeholder accountability mechanisms and a progress report on the Regulatory Burden Task Force.

***Completing the re-design of the OSC website in 2004.***

The redesigned OSC website was launched in July 2004 with a significantly enhanced search engine and an advanced search feature. Ease of navigation was improved and content was significantly enhanced.

As part of the re-design of its website, the OSC created an International Affairs webpage, which is intended to increase OSC stakeholders' understanding of why the OSC participates in international organizations, to serve as an information resource for stakeholders, OSC staff and other Canadian regulators, and to facilitate the public consultation processes conducted by international organizations, such as IOSCO.



**1.1.3 Notice of Ministerial Approval - NI 58-101  
Disclosure of Corporate Governance Practices  
and Amendments to MI 52-110 Audit  
Committees**

**NOTICE OF MINISTERIAL APPROVAL**

**NI 58-101 DISCLOSURE OF CORPORATE  
GOVERNANCE PRACTICES AND  
AMENDMENTS TO MI 52-110 AUDIT COMMITTEES**

On May 31, 2005, the Chair of the Management Board of Cabinet approved the following pursuant to subsection 143.3(3) of the *Securities Act* (Ontario) (the **Act**) as a rule under the Act:

- National Instrument 58-101 *Disclosure of Corporate Governance Practices*, Form 58-101F1 and Form 58-101F2 (collectively, the **Disclosure Rule**), and
- Amendments to Multilateral Instrument 52-110 *Audit Committees*, Form 52-110F1 and Form 52-110F2 (collectively, the **Audit Committee Amendments**).

The Disclosure Rule, together with National Policy 58-201 *Corporate Governance Guidelines* (the **Governance Policy**), was previously published in the Bulletin on April 15, 2005. The Audit Committee Amendments, together with amendments to Companion Policy 52-110CP *Audit Committees* (the **Audit Committee CP Amendments**), were also published in that Bulletin. The Disclosure Rule, Governance Policy, Audit Committee Amendments, and Audit Committee CP Amendments are published in Chapter 5 of this Bulletin.

The Disclosure Rule, Governance Policy, Audit Committee Amendments and Audit Committee CP Amendments will come into force in Ontario on June 30, 2005.

This page intentionally left blank

## Chapter 2

# Decisions, Orders and Rulings

## 2.1 Decisions

### 2.1.1 Rock Energy Inc. and 6223150 Canada Inc. - MRRS Decision

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Filer purchasing assets of several limited partnerships – Transfer of assets to be effected by way of multiple step tax-effective reorganization – Transaction includes trades of filer's common shares by another issuer to limited partners and general partners of limited partnerships – Statutory exemptions from prospectus and registration requirements not available for such trades because transaction is not statutory reorganization or arrangement – Limited partners and general partners to receive prospectus-level disclosure about filer.

#### Applicable Ontario Statutory Provisions

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

May 31, 2005

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

AND

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

AND

IN THE MATTER OF  
ROCK ENERGY INC. (ROCK) AND  
6223150 CANADA INC. (CANADACO, AND  
COLLECTIVELY, 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 dealer registration requirement and prospectus requirement shall not apply to Non-Exempt Trades (as defined below) of common shares of Rock (Rock Shares) (the Requested Relief).

Under National Policy 12-201 *Mutual Reliance Review System for Exemption Relief Applications*:

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

#### Interpretation

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

#### Representations

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

#### *Rock Energy Inc.*

1. Rock (formerly Medbroadcast Corporation) is continued under the laws of Alberta;
2. the authorized capital of Rock consists of an unlimited number of Rock Shares and 300,000 preferred shares of which, as at April 8, 2005, 12,350,936 Rock Shares were outstanding;
3. Rock is a reporting issuer in Alberta, British Columbia, Saskatchewan, Ontario, Québec, Nova Scotia and New Brunswick and, to its knowledge, is not in default of any requirements of the Legislation;
4. the Rock Shares are listed and posted for trading on the Toronto Stock Exchange (the TSX);

#### *6223150 Canada Inc.*

5. Canadaco is a private corporation incorporated under the laws of Canada which acts at arm's length to Rock and to

- the Qwest Limited Partnerships (as defined below);
6. Canadaco is not a reporting issuer under the securities legislation of any jurisdiction, and its securities are not listed on any stock exchange or traded on any over-the-counter market;
- Qwest Energy Limited Partnerships**
7. Qwest Energy 2001 Limited Partnership, Qwest Energy Income Development Limited Partnership, Qwest Energy II Limited Partnership and Qwest Energy Development III Limited Partnership (the Partnerships) are each a limited partnership established under a partnership agreement governed by the laws of the province of British Columbia between the general partner and an initial limited partner;
8. Qwest Energy 2001 Management Corp., Qwest Energy 2002 Management Corp., Qwest Energy II Management Corp., and Qwest Energy III Management Corp. are the respective general partners for each of the Partnerships (the ManagementCos);
9. the authorized capital of each of the Partnerships consists of an unlimited number of limited partnership units of which, as at March 31, 2005, 496,725 limited partnership units of Qwest Energy 2001 Limited Partnership, 247,264 limited partnership units of Qwest Energy Income Development Limited Partnership, 867,407 limited partnership units of Qwest Energy II Limited Partnership and 766,219 limited partnership units of Qwest Energy Development III Limited Partnership were outstanding;
10. on dissolution, each of the Partnerships will distribute,
- (a) to those persons who are their respective limited partners at dissolution, 90% of the amount of the cash portion of the distributable cash of the partnership at dissolution and, in specie, 90% of the remaining assets of the partnership, and
- (b) to their respective general partners, 10% of the amount of the cash portion of the distributable cash of the partnership at dissolution and, in specie, 10% of the remaining assets of the partnership;
11. the Partnerships were formed to provide investors with the ability to participate in the Canadian oil and gas industry by way of subsidiary companies entering into joint venture agreements with established oil and gas corporations, as such each of the Partnerships owns all of the common shares of a number of subsidiaries (the Subsidiaries);
12. each of the Partnerships is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario and, in addition, Qwest Energy 2001 Limited Partnership and Qwest Energy II Limited Partnership are reporting issuers in Nova Scotia;
13. the limited partnership units of each of the Partnerships are not listed on any stock exchange or traded on any over-the-counter market;
- Qwest Energy Subsidiaries**
14. each of the Subsidiaries is a corporation incorporated under the laws of Canada for the purpose of furthering the business of the respective Partnerships;
15. none of the Subsidiaries are reporting issuers in any jurisdiction and their securities are not listed on any stock exchange or traded on any over-the-counter market;
- 1156168 Alberta Ltd.**
16. 1156168 Alberta Ltd. (Newco 1) is a private corporation incorporated under the laws of Alberta;
17. Newco 1 is not a reporting issuer under the securities legislation of any jurisdiction and its securities are not listed on any stock exchange or traded on any over-the-counter market;
- 1159203 Alberta Ltd.**
18. 1159203 Alberta Ltd. (Newco 2) is a private corporation incorporated under the laws of Alberta;
19. Newco 2 is not a reporting issuer under the securities legislation of any jurisdiction and its securities are not listed on any stock exchange or traded on any over-the-counter market;

**Transactions**

20. Rock, Canadaco and the Partnerships have agreed to complete the following transactions (the Transactions):
- (a) the Subsidiaries will each amalgamate into a separate amalgamated company (the Amalcos), all of whose shares will be held by their respective Partnerships;
  - (b) the Amalcos will each transfer all of the oil and gas assets held by them (other than the 10% interest in such assets which are owned by their respective Managementco) into Newco 1 in exchange for shares of Newco 1, following which, all of the shares of Newco 1 will be held by the Amalcos;
  - (c) each of the Partnerships will sell the shares held by it in its respective Amalco to Canadaco in exchange for a note (a Canadaco Note), which will be secured by the shares of the Amalco purchased from the Partnership by Canadaco;
  - (d) the Partnerships will be dissolved and will, subject to satisfying outstanding liabilities and, where applicable, satisfaction of preferred distributions to their respective limited partners, distribute the Canadaco Note held by it to their respective limited partners as to 90%, and to their respective general partner as to 10%;
  - (e) Canadaco will agree with each group of limited partners and the general partners of the Partnerships to purchase the Canadaco Note held by them in exchange for consideration consisting of Rock Shares and cash (Canadaco will receive such Rock Shares and cash from Rock under the transaction described in paragraph (g) below);
  - (f) Canadaco will amalgamate with its then wholly-owned subsidiaries, the Amalcos, to form one corporation (Canadaco Amalco), following which, Canadaco Amalco will hold all of the shares of Newco 1;
  - (g) Canadaco Amalco will sell all of the shares of Newco 1 to Rock in exchange for an aggregate 5,660,380 Rock Shares (subject to rounding) and \$18,971,786 in cash (subject to closing adjustments);
  - (h) Canadaco Amalco will complete the transaction described in paragraph (e) by delivering the 5,660,380 Rock Shares (subject to rounding) and \$18,971,786 in cash (subject to closing adjustments) it receives from Rock, less outstanding liabilities of the Subsidiaries to the limited partners and the general partners of the Partnerships (the Non-Exempt Trades);
  - (i) the Managementcos will each transfer all of the oil and gas assets held by them by the respective Subsidiaries into Newco 2 in exchange for shares of Newco 2, following which, all of the shares of Newco 2 will be held by the Managementcos; and
  - (j) the Managementcos will sell all of the shares of Newco 2 to Rock in exchange for an aggregate 353,070 Rock Shares (subject to rounding) and \$1,113,470 in cash (subject to closing adjustments); and
21. in connection with meetings of the limited partners of each of the Partnerships to approve the Transactions, the limited partners will receive an information circular containing prospectus-level disclosure of Rock.

**Decision**

- 4 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 to the Legislation is that the Requested Relief is granted provided that the first trade of the Rock Shares acquired in a Non-Exempt Trade will be deemed to be a distribution or a primary distribution to the public in the Jurisdictions unless the conditions in

subsection 2.6(3) of Multilateral Instrument 45-102  
Resale of Securities are satisfied.

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

**2.1.2 Dover Corporation (Canada) Limited and Dover Corporation (Canada) Acquisition I Limited - MRRS Decision**

**Headnote**

Mutual Reliance Review System - Take-over bid – Relief from the prohibition against collateral benefits. Consulting, non-competition and employment agreements entered into with five selling security holders who are also senior officers or employees of the target company. Agreements negotiated at arm's length and on commercially reasonable terms. Agreements entered into for reasons other than to increase the value of the consideration paid to the selling security holders for their shares. Agreements may be entered into despite the prohibition against collateral benefits.

**Statute Cited**

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

**Citation:** Dover Corporation (Canada) Limited et al, 2005 ABASC 473

**June 6, 2005**

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

**AND**

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

**AND**

**IN THE MATTER OF  
DOVER CORPORATION (CANADA) LIMITED (DOVER  
CANADA) AND  
DOVER CORPORATION (CANADA) ACQUISITION I  
LIMITED (THE OFFEROR)(COLLECTIVELY, THE  
FILERS)**

**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 Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) that, in connection with the offer (the Offer) by the Offeror to purchase all of the issued and outstanding common shares (the C-Tech Shares) of C-Tech Energy Services Inc. (C-Tech), the Employment Agreements (as defined below) and the Non-Competition Agreements (as defined below) are

being made for reasons other than to increase the value of the consideration paid for those C-Tech Shares that are owned or controlled by the Management Shareholders (as defined below) and may be entered into notwithstanding the requirements contained in the Legislation which prohibit, in the context of a take-over bid, the entering into of any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to holders of the same class of securities (the Requested Relief).

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

4.1 Dover Canada was amalgamated pursuant to the *Canada Business Corporations Act* on January 1, 1979.

4.2 The head office and registered office of Dover Canada are each located in Toronto, Ontario.

4.3 Dover Canada is not a reporting issuer in any of the Jurisdictions and its securities are not listed on any Canadian marketplace or exchange.

4.4 The Offeror was incorporated under the *Business Corporations Act (Alberta)* (the ABCA) on April 25, 2005.

4.5 The head office and registered office of the Offeror are each located in Edmonton, Alberta.

4.6 The Offeror is not a reporting issuer in any of the Jurisdictions and its securities are not listed on any Canadian marketplace or exchange.

4.7 The Offeror is a wholly-owned subsidiary of Dover Canada.

4.8 C-Tech was incorporated under the ABCA on August 28, 1997.

4.9 The head office and registered office of C-Tech are each located in Edmonton, Alberta.

4.10 C-Tech is a reporting issuer in Alberta and British Columbia.

4.11 The authorized share capital of C-Tech consists of an unlimited number of C-Tech Shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

4.12 As at April 21, 2005, C-Tech had the following securities issued and outstanding:

4.12.1 45,985,021 C-Tech Shares, and

4.12.2 1,100,000 options (the C-Tech Options) issued under the C-Tech stock option plan with each C-Tech Option being exercisable into one C-Tech Share.

4.13 The C-Tech Shares are listed on the TSX Venture Exchange and trade under the symbol "CEE".

4.14 Pursuant to the terms of a pre-acquisition agreement dated April 13, 2005 between Dover Canada and C-Tech (the Pre-Acquisition Agreement), Dover Canada agreed with C-Tech that either Dover Canada itself or one or more of its direct or indirect subsidiaries would make the Offer for \$0.44 cash per C-Tech Share.

4.15 The Offer was made by way of a take-over bid circular prepared in accordance with the Legislation (the TOB Circular) and mailed to all holders of C-Tech Shares and C-Tech Options (collectively, the C-Tech Shareholders) on May 2, 2005. The expiry date of the Offer is June 7, 2005.

4.16 The Offer is conditional on, among other things, there being validly deposited under the Offer and not withdrawn at the expiry time of the Offer at least 66 2/3% of the C-Tech Shares on a fully diluted basis.

4.17 Dover Canada has entered into lock-up agreements with 768899 Alberta Ltd.,

- Andre Hebert, J. Blair Goertzen, 768885 Alberta Ltd., Per Angman, ARC Capital Ltd., ARC Canadian Energy Venture Fund 2 and ARC Canadian Energy Venture Fund (collectively, the Locked-Up Shareholders), pursuant to which the Locked-Up Shareholders have agreed to unconditionally and irrevocably deposit all of their C-Tech Shares under the Offer.
- 4.18 C-Tech has entered into employment agreements (the Employment Agreements) with each of the following employees of C-Tech (collectively, the Management Shareholders):
- 4.18.1 André Hebert, Chief Financial Officer,
  - 4.18.2 Wilson Grant, Plant Manager,
  - 4.18.3 Alex Perri, Pro-Rod Manager,
  - 4.18.4 Harvey Verstraete, Field Services Manager, and
  - 4.18.5 Charles Strong, Manufacturing Manager.
- 4.19 Dover Canada and C-Tech have entered into non-competition agreements with each of the Management Shareholders (the Non-Competition Agreements).
- 4.20 Pursuant to the terms of the Pre-Acquisition Agreement, the obligation of the Offeror to make the Offer and to take up and pay for C-Tech Shares is conditional on the Employment Agreements and the Non-Competition Agreements with the Management Shareholders being in full force and effect.
- 4.21 The Employment Agreements will commence on the date the Offeror takes up any C-Tech Shares in accordance with the Offer (the Effective Date).
- 4.22 The Employment Agreements set out in writing and continue the employment arrangements that existed between C-Tech and each of the Management Shareholders prior to the execution of the Pre-Acquisition Agreement that had not been previously reduced to writing.
- 4.23 The Employment Agreements provide that each of the Management Shareholders will remain employed by C-Tech for a period of three years from the Effective Date at the following compensation levels, which compensation levels are equivalent to those currently enjoyed by the Management Shareholders:
- |                   | <u>Salary</u> |
|-------------------|---------------|
| André Hebert      | \$72,000      |
| Wilson Grant      | \$77,000      |
| Alex Perri        | \$70,000      |
| Harvey Verstraete | \$78,000      |
| Charles Strong    | \$79,600      |
- 4.24 The Employment Agreements also provide for commercially reasonable severance payments.
- 4.25 As consideration for entering into the Employment Agreements, each Management Shareholder will be paid \$2,000, payable on the Effective Date.
- 4.26 The Non-Competition Agreements will commence on the Effective Date and provide for certain non-competition and non-solicitation covenants in favour of C-Tech and Dover Canada for a period of three years from and after the Effective Date.
- 4.27 As consideration for entering into the Non-Competition Agreements, each Management Shareholder will be paid \$18,000, payable on the Effective Date.
- 4.28 The Management Shareholders collectively hold an aggregate of 1,070,725 C-Tech Shares and 680,000 C-Tech Options, representing 3.72% of the issued and outstanding C-Tech Shares (on a diluted basis). The Management Shareholders each individually hold the following numbers of C-Tech Shares and C-Tech Options:



	C-Tech Shares	C-Tech Options
André Hebert	142,895	150,000
Wilson Grant	256,350	100,000
Alex Perri	—	100,000
Harvey Verstraete	225,800	150,000
Charles Strong	445,680	180,000

- 4.29 Dover Canada required C-Tech to secure the Employment Agreements because of the integral role of the Management Shareholders in developing C-Tech's business and their substantial and valuable experience and expertise in the oil field technology, manufacturing and services business.
- 4.30 Dover Canada believes that the Management Shareholders' role with C-Tech following the Effective Date is critical to C-Tech in ensuring a successful transition of C-Tech following completion of the Offer.
- 4.31 Dover Canada required C-Tech to secure the Non-Competition Agreements with the Management Shareholders because of the significant value of C-Tech's intellectual property, client lists and goodwill. Dover Canada would not have made the Offer if the Management Shareholders had the ability to compete with C-Tech or otherwise exploit such intellectual property, client lists or goodwill.
- 4.32 The Employment Agreements are consistent with current industry practice and are intended to provide an incentive for the Management Shareholders to continue in the employment of C-Tech following completion of the Offer.
- 4.33 Dover Canada would not have entered into the Pre-Acquisition Agreement if the Management Shareholders had not agreed to enter into the Employment Agreements and Non-Competition Agreements.
- 4.34 The terms of the Employment Agreements and the Non-Competition Agreements have been negotiated with the applicable parties at arm's length and

are on terms and conditions that are commercially reasonable.

- 4.35 Dover Canada believes that it is a prudent and commercially reasonable business decision on its part to insist on the Non-Competition Agreements. In other transactions in which Dover Canada has acquired businesses, it has been Dover Canada's practice to obtain non-competition covenants from key employees of the business, and Dover Canada believes that other purchasers of businesses in this industry would similarly require such non-competition covenants.
- 4.36 The Employment Agreements and the Non-Competition Agreements have been made for valid business reasons unrelated to the Management Shareholder's holdings of C-Tech Shares or C-Tech Options and not for the purpose of conferring an economic or collateral benefit that the other C-Tech Shareholders do not enjoy or to increase the value of the consideration to be paid to the Management Shareholders for their C-Tech Shares tendered under the Offer.
- 4.37 The receipt by the Management Shareholders of compensation pursuant to the Employment Agreements and the Non-Competition Agreements is not conditional upon their support of the Offer.
- 4.38 Full particulars of the material terms of the Employment Agreements and Non-Competition Agreements were disclosed in the TOB Circular and the directors' circular of C-Tech dated May 2, 2005.

**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.

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

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

**2.1.3 Thunder Energy Inc., Mustang Resources Inc. and Forte Resources Inc. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Pursuant to a plan of arrangement, the business of three existing operating companies, all reporting issuers, will be reorganized into an income trust structure and the operating companies will be amalgamated – Following completion of the arrangement, the income trust will be a new reporting issuer and the amalgamated company will be the operating entity in the income trust structure – The financial information of the amalgamated company will be consolidated into the annual and interim financial statements of the income trust – Amalgamated company granted relief from certain financial statements requirements, certain reserves data information requirements and the continuous disclosure requirements in Parts 4, 5, 6, 7, 8 and 9 of National Instrument 51-102 – Continuous Disclosure Obligations – Relief subject to conditions.

**Ontario Rules**

National Instrument 51-102 – Continuous Disclosure Obligations.  
Form 41-501F1 – Information Required in a Prospectus.  
National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.  
Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.  
National Instrument 52-107 – Acceptable Accounting Principles, Auditing Standards and Reporting Currency.

**June 3, 2005**

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

**AND**

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

**AND**

**IN THE MATTER OF THUNDER ENERGY INC.,  
MUSTANG RESOURCES INC.  
AND FORTE RESOURCES INC.**

**MRRS DECISION DOCUMENT**

**Background**

1. The local securities regulatory authority or regulator (the "Decision Maker") in each of

Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the "Jurisdictions") has received an application from Thunder Energy Inc., Mustang Resources Inc. and Forte Resources Inc. (the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- 1.1 each of the Filers be exempt from the requirements contained in the Legislation which requires each of the Filers to include three years of audited financial statements in an information circular in respect of a significant acquisition;
- 1.2 each of the Filers be exempt from the requirement contained in the Legislation which requires each of the Filers to include three years of audited financial statements in an information circular in respect of a business for which securities are being distributed in connection with a restructuring transaction;
- 1.3 each of the Filers be exempt from the requirement contained in the Legislation which requires each of the Filers to include reserves data and other oil and gas information in an information circular as at the date of the most recent audited balance sheet included in the information circular; and
- 1.4 with respect to the successor of Thunder Energy Inc. ("AmalCo") on its amalgamation with a corporation to be formed under the ABCA ("AcquisitionCo"), Mustang Resources Inc. ("Mustang") and Forte Resources Inc. ("Forte") in those Jurisdictions in which it becomes a reporting issuer or the equivalent under the Legislation, the requirements set forth in Parts 4, 5, 6, 7, 8 and 9 of National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102"), in National Instrument 51-101 - *Standards of Disclosure For Oil and Gas Activities* and, except in British Columbia and Quebec, in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* (the "Continuous Disclosure Requirements") shall not apply to AmalCo (the "Continuous Disclosure Relief").

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

- 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 (collectively, the "Decision").

**Interpretation**

3. Unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

**Representations**

4. The Filers have represented to the Decision Makers that:

4.1 Thunder Energy Inc. ("Thunder") was incorporated under the laws of the Province of Alberta and Thunder's head office is located in Calgary, Alberta;

4.2 The common shares of Thunder are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "THY";

4.3 Thunder is a reporting issuer in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec and New Brunswick and has been a reporting issuer in at least one of these jurisdictions since on or about December 1996;

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

4.5 Mustang was incorporated under the laws of the Province of Alberta on March 13, 2002 and its head office is located in Calgary, Alberta;

4.6 Mustang is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and New Brunswick, has been a reporting issuer in at least one of these jurisdictions since July 30, 2002 and its shares are listed for trading on the Toronto Stock Exchange under the trading symbol "MUS.A" and "MUS.B";

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

4.8 Forte was incorporated under the laws of the Province of Alberta on January 21,

2004 and its head office is located in Calgary, Alberta;

4.9 Forte is a reporting issuer in all of the Provinces of Canada, has been a reporting issuer in at least one of these jurisdictions since March 12, 2004 and its shares are listed for trading on the Toronto Stock Exchange under the trading symbol "FRZ";

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

4.11 The Filers are entering into a plan of arrangement (the "Arrangement") whereby they will be reorganizing the business of Thunder, Mustang and Forte as an income trust (the "Trust") and transferring certain assets (the "Assets") into three separate public companies ("Thunder ExploreCo", "Forte ExploreCo" and "Thunder CBMCo");

4.12 Following completion of the Arrangement, AmalCo will own all of Filers' existing operating assets, except for those assets transferred to Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo, and will be the operating entity in the income trust structure. No new or additional assets are being acquired by any of the parties to the Arrangement other than those currently owned by the Filers.

4.13 As part of the Arrangement, exchangeable shares will be issued by AcquisitionCo to security holders of Thunder, Mustang and Forte, which shares will be exchangeable into shares in the capital stock of AmalCo (the "Exchangeable Shares");

4.14 The Exchangeable Shares are exchangeable for units of the Trust ("Units"), are the voting and economic equivalent of the Units, and do not carry any voting rights in AmalCo;

4.15 The acquisition of the Assets by each of Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo (the "Acquisition") constitutes a "significant acquisition" under the Legislation for each of these entities;

4.16 The Filers are preparing an information circular (the "Information Circular") in connection with a meeting of its

- securityholders which is expected to be held on June 29, 2005. At the shareholders' meeting, the Filers' securityholders will be given the opportunity to vote on the Arrangement which includes the Acquisition;
- 4.17 The Information Circular will contain, among other things, prospectus level disclosure of the business and affairs of each of Thunder, Mustang, Forte, AcquisitionCo and the Trust, the particulars of the Arrangement, as well as fairness opinions of independent financial advisors;
- 4.18 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Acquisition is a "significant acquisition", the Filers are required to include certain annual and interim financial statement disclosure in the Information Circular in respect of the Arrangement, including annual financial statements for each of the three most recently completed financial years of the Assets (the "Annual Disclosure Requirements");
- 4.19 The Assets are interests in oil and gas properties, financial statements do not exist for the Assets, the Acquisition does not constitute a reverse take-over, the Assets did not constitute a "reportable segment" of the vendor immediately prior to the completion of the Acquisition and a business acquisition report for the Assets will be included in the Information Circular containing the disclosure required herein.
- 4.20 The Filers propose to include in the Information Circular certain annual financial information, including audited operating statements for the two years ended December 31, 2004 and 2003, and unaudited operating statements for the three months ended March 31, 2005 in accordance with Sections 8.5 and 8.10 of National Instrument 51-102 in respect of the Acquisition (the "Alternative Annual Financial Disclosure");
- 4.21 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Arrangement is a restructuring transaction under which securities of Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo are being distributed, the Filers are required to include audited statements of income, retained earnings and cash flows for a three year period in respect of each of Thunder ExploreCo, Forte ExploreCo
- and Thunder CBMCo (the "ExploreCo Disclosure Requirements");
- 4.22 The Filers propose to include in the Information Circular on behalf of each of Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo the Alternative Annual Financial Disclosure in accordance with Section 8.10 of National Instrument 51-102 (the "Alternative ExploreCo Financial Disclosure");
- 4.23 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Arrangement is a restructuring transaction under which securities of the Trust are being distributed and the Acquisition is a significant acquisition for each of Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo, pursuant to Section 6.5.1(a)(ii) of Form 41-501F1 and Section 6.4.5 of Policy Statement Q-28 Schedule 1 in Quebec, the Filers are required to provide reserves data and other oil and gas information prescribed by Form 51-101F1 and by National Policy Statement 2-B in Quebec for each of Thunder ExploreCo, Forte ExploreCo, Thunder CBMCo and the Trust as at the most recent date for which an audited balance sheet is included in the Information Circular (the "Oil and Gas Disclosure Requirements");
- 4.24 As each of Thunder ExploreCo, Forte ExploreCo and Thunder CBMCo have either not yet been incorporated or only recently been incorporated, the date of the audited balance sheet is not a practical date for the preparation of the reserves data and other oil and gas information to be included in the Information Circular;
- 4.25 As the Trust has not yet been formed, the date of the audited balance sheet is not a practical date for the preparation of the reserves data and other oil and gas information to be included in the Information Circular;
- 4.26 The Filers propose to include in the Information Circular the Oil and Gas Disclosure Requirements as at March 31, 2005, being the date when the report required under National Instrument 51-101 in Form 51-101F1 and National Policy Statement 2-B in Quebec was prepared (collectively, the "Alternative Oil and Gas Disclosure");
- 4.27 The Alternative Annual Financial Disclosure will comply with National

	<i>Instrument 52-107 – Acceptable Accounting Principles, Auditing Standards and Reporting Currency;</i>	<b>Decision</b>
4.28	The Alternative ExploreCo Financial Disclosure will comply with National Instrument 52-107 – <i>Acceptable Accounting Principles, Auditing Standards and Reporting Currency;</i>	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.
4.29	The Alternative Oil and Gas Disclosure will comply with National Instrument 51-101 – <i>Standards of Disclosure for Oil and Gas Activities;</i>	6. The Decision of the Decision Makers under the Legislation for the purposes of the Information Circular is that: <ul style="list-style-type: none"> <li>6.1 the Annual Disclosure Requirements shall not apply to the Filers, provided that the Filers include the Alternative Annual Financial Disclosure in the Information Circular,</li> <li>6.2 the ExploreCo Disclosure Requirements shall not apply to the Filers, provided that the Filers include the Alternative ExploreCo Financial Disclosure in the Information Circular;</li> <li>6.3 with respect to Thunder ExploreCo, Forte ExploreCo, Thunder CBMCo and the Trust, the Oil and Gas Disclosure Requirements shall not apply to the Filers, provided that the Filers include the Alternative Oil and Gas Disclosure in the Information Circular;</li> <li>6.4 the Trust include, in both its interim and annual financial statements and MD&amp;A that the Trust will prepare under NI 51-102, disclosure about the specific risks and uncertainties relating to the operations of AmalCo and the potential impact of those risks and uncertainties on future distributions of the Trust.</li> <li>6.5 The Continuous Disclosure Requirements shall not apply to AmalCo for so long as:               <ul style="list-style-type: none"> <li>6.5.1 the Trust is a reporting issuer in at least one of the jurisdictions listed in Appendix B of MI 45-102 and is an electronic filer under National Instrument 13-101 <i>SEDAR;</i></li> <li>6.5.2 the Trust concurrently sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to the Unitholders under the Continuous Disclosure Requirements;</li> <li>6.5.3 the Trust complies with the requirements of the Legislation and of the TSX, and of any other market or exchange on</li> </ul> </li> </ul>
4.30	Upon completion of the Arrangement, AmalCo will become a reporting issuer under the Legislation of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador, due to the fact that its existence will continue following the exchange of securities in connection with the Arrangement which involves three existing reporting issuers, Mustang, Forte and Thunder;	
4.31	Upon becoming a reporting issuer under the Legislation, an issuer must comply with the Continuous Disclosure Requirements. However, application of the Continuous Disclosure Requirements to both the Trust and AmalCo would provide no real benefit to investors for the following reasons: The Trust and AmalCo will be very closely integrated. The Exchangeable Shares provide a holder with a security in an issuer (AmalCo) all of whose common shares will be held by the Trust. The value of the Exchangeable Shares and units of the Trust (“Units”) is therefore entirely dependent on the assets and operations of only the Trust, on a consolidated basis. As a result, the only Continuous Disclosure Requirements relevant to a holder of Exchangeable Shares are Continuous Disclosure Requirements relating to the Trust. Holders of Exchangeable Shares effectively have a participating interest in the Trust and do not have a participating interest in AmalCo and, therefore, it is the information furnished under the Continuous Disclosure Requirements relating to the Trust that is directly relevant to the holders of both Exchangeable Shares and Units. Only the Trust, as the sole holder of the outstanding common shares of AmalCo, not the holders of Exchangeable Shares or Units, will have a direct participating interest in AmalCo.	

- which the Units are or come to be quoted or listed, in respect of making public disclosure of material information on a timely basis;
- 6.5.4 the Trust files with each Decision Maker copies of all documents required to be filed by it pursuant to NI 51-102;
- 6.5.5 AmalCo is in compliance with the requirements of the Legislation to issue a news release and file a report under the Legislation upon the occurrence of a material change in respect of the affairs of AmalCo that is not also a material change in the affairs of the Trust;
- 6.5.6 the Trust includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to the Trust and not to AmalCo, such statement to include a reference to the similarities between the Exchangeable Shares and Units and the right to direct voting at meetings of the Unitholders;
- 6.5.7 AmalCo files a notice on SEDAR indicating that it is relying on the Trust's continuous disclosure filings, and referring readers to the Trust's SEDAR profile;
- 6.5.8 following completion of the Arrangement, the financial information of AmalCo be consolidated into the annual and interim financial statements of the Trust that the Trust will prepare under NI 51-102. In complying with its reporting issuer obligations, the Trust will treat AmalCo as a subsidiary of the Trust. However, if generally accepted accounting principles prohibit the consolidation of financial information of AmalCo and the Trust, for as long as AmalCo, including any of its significant business interests, represents a significant asset of the Trust, the Trust will provide unitholders with separate financial statements for AmalCo, including information about any of its significant business interests.
- 6.5.9 the Trust include, in both interim and annual MD&A for the fiscal year ended December 31, 2005, comparative financial information in respect of the 2004 financial results of Thunder, Mustang and Forte;
- 6.5.10 AmalCo and its insiders comply with the insider reporting requirement and the requirement to file an insider profile under National Instrument 55-102 - *System for Electronic Disclosure by Insiders*. The Trust will take the appropriate measures to require that each insider of AmalCo will (i) file insider reports about trades in Trust Units and Exchangeable Shares and (ii) comply with legislative prohibitions against insider trading;
- 6.5.11 the Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of AmalCo; and
- 6.5.12 AmalCo has not issued any securities, other than the Exchangeable Shares, securities issued to the Trust or its affiliates, or debt securities issued to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions.

"Mavis Legg", CA  
 Manager, Securities Analysis

**2.1.4 APF Energy Trust et al. - MRRS Decision**

**Headnote**

TSX-listed Issuer proposing to undertake a plan of arrangement, prior to a merger with another reporting issuer, that involves the sale of oil and gas assets to a newly formed company (Newco). Purchase of oil and gas assets will constitute a significant acquisition for Newco. Securities of Newco will be issued to securityholders of the Issuer in connection with the plan of arrangement. Information circular required to contain prospectus-level disclosure concerning Newco. Relief from financial statement requirements for significant acquisition granted in Ontario and all other jurisdictions, provided that the information circular contains specific alternative financial disclosure for oil and gas assets. Additional relief granted in other jurisdictions in connection with transactions including: relief from prospectus and registration requirements, first trade relief and relief to include a listing representation.

**Applicable National Instrument**

National Instrument 51-102 – Continuous Disclosure Obligations.

**May 26, 2005**

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

**AND**

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

**AND**

**IN THE MATTER OF  
APF ENERGY TRUST ("APF TRUST"), APF ENERGY  
INC. ("APF ENERGY"),  
ROCKYVIEW ENERGY INC. ("ROCKYVIEW") AND  
1163947 ALBERTA INC. ("NEWCO SUB")  
(COLLECTIVELY, THE "FILERS")**

**MRRS DECISION DOCUMENT**

**Background**

1. The local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland &

Labrador, the Northwest Territories (the "NWT"), the Yukon Territory ("Yukon") and Nunavut (collectively the "Jurisdictions") has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- 1.1 in Manitoba, Yukon and Nunavut the prospectus requirement and the dealer registration requirement shall not apply to the trades made in connection with the Arrangement (defined below), provided that the first trade of Amalco Shares acquired under the Arrangement shall be subject to the dealer registration requirement and the prospectus requirement of such Jurisdictions;
- 1.2 in Manitoba, Yukon and Nunavut the first trade of Amalco Shares (defined below) acquired pursuant to the Arrangement (defined below) is not subject to the prospectus requirement of such Jurisdictions, provided that such trade is made in compliance with the requirements set out in Subsection 2.6(3) of Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102");
- 1.3 in Quebec and Nova Scotia the prohibition against making a representation that an application has been or will be made to list a security on an exchange shall not apply to the representation in the Information Circular (defined below) with respect to the Amalco Shares (defined below); and
- 1.4 the requirement that the Information Circular include three years of audited financial statements in respect of a significant acquisition shall not apply;
2. The application is made under the Mutual Reliance Review System for Exemptive Relief Applications (the "System").
3. Pursuant to the System, the Manitoba Securities Commission is the principal regulator for this application.

**Interpretation**

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

**Representations**

5. The decision is based on the following facts represented by the Filers:

**APF Energy Trust**

- 5.1 APF Trust is an open-ended investment trust formed under the laws of the Province of Alberta, on October 10, 1996 and governed by an amended and restated trust indenture dated May 18, 2004 (the "Trust Indenture").
- 5.2 The authorized capital of APF Trust consists of an unlimited number of trust units of APF Trust ("APF Units") and an unlimited number of special voting units ("Special Voting Units").
- 5.3 As of the date hereof, there are issued and outstanding 60,665,490 APF Units and nil Special Voting Units.
- 5.4 APF Trust was initially formed for the purpose of issuing APF Units to the public and using the funds so raised to purchase royalties on oil and natural gas properties.
- 5.5 APF Trust's primary assets are royalties granted by APF Energy and APF Energy Limited Partnership, an Alberta limited partnership wholly owned, indirectly, by APF Trust.
- 5.6 APF Trust is a reporting issuer or has equivalent status in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador in which such status is available and has been for more than four months.
- 5.7 The APF Units are listed for trading on the Toronto Stock Exchange (the "TSX").
- 5.8 APF Trust has filed all of the information that it has been required to file as a reporting issuer in the Jurisdictions in which it is a reporting issuer and is not in default of the Legislation in those Jurisdictions.

**APF Energy Inc.**

- 5.9 APF Energy is a wholly owned subsidiary of APF Trust that was incorporated pursuant to the *Business Corporations Act* (Alberta) (the "ABCA") on December 8, 1995 as 677633 Alberta Inc. and changed its name to APF Energy pursuant to Articles of Amendment filed on May 8, 1996.
- 5.10 The head and principal office of APF Energy is located at 2100, 144 – 4th

Avenue S.W., Calgary, Alberta, T2P 3N4 and its registered office is located at 3400, 150 - 6th Avenue S.W., Calgary, Alberta, T2P 3Y7.

- 5.11 APF Energy is engaged in the business of acquisition, exploration, development, production, marketing and sale of crude oil and natural gas in Western Canada and has granted a royalty to APF Trust under which 99% of the income of APF Energy, after deduction of certain expenses, is paid to APF Trust.
- 5.12 Computershare Trust Company of Canada, the trustee of APF Trust, has delegated to APF Energy the authority to make all significant management decisions of APF Trust.
- 5.13 APF Energy is a non distributing body corporate that is not a reporting issuer in any of the Jurisdictions.

**Rockyview Energy Inc.**

- 5.14 Rockyview is a wholly owned subsidiary of APF Energy that was incorporated pursuant to the ABCA on April 12, 2005 as 1163924 Alberta Inc. and has changed its name to Rockyview pursuant to Articles of Amendment filed on April 14, 2005.
- 5.15 The head and principal office of Rockyview is located at 2100, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4 and its registered office is located at 3400, 150 - 6th Avenue S.W., Calgary, Alberta, T2P 3Y7.
- 5.16 Rockyview is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which 100 common shares and no preferred shares are issued and outstanding as of the date hereof.
- 5.17 Rockyview was incorporated to facilitate the Arrangement described below and currently has no business, operations, or assets other than nominal proceeds from share subscriptions.
- 5.18 Rockyview is a non-distributing body corporate that is not a reporting issuer in any of the Jurisdictions.



**1163947 Alberta Inc.**

- 5.19 NewCo Sub is a wholly owned subsidiary of Rockyview that was incorporated pursuant to the ABCA on April 12, 2005.
- 5.20 The head and principal office of NewCo Sub is located at 2100, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4 and its registered office is located at 3400, 150 - 6th Avenue S.W., Calgary, Alberta, T2P 3Y7.
- 5.21 NewCo Sub is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which 100 common shares and no preferred shares are issued and outstanding as of the date hereof.
- 5.22 NewCo Sub has been organized to acquire a portion of the business of APF Energy and facilitate the Arrangement described below and has no business, operations, or assets other than nominal proceeds from share subscriptions.
- 5.23 NewCo Sub is a non-distributing body corporate that is not a reporting issuer in any of the Jurisdictions.

**The Merger**

- 5.24 Pursuant to the terms of the combination agreement dated April 13, 2005, entered into between APF Trust and StarPoint Energy Trust ("StarPoint"), among other things, StarPoint will acquire all of the assets of APF Trust in exchange for trust units of StarPoint and thereafter all of the APF Units (except one APF Unit issued to StarPoint as part of this transaction) will be redeemed and exchanged for such trust units of StarPoint (the "Merger"). The result of the Merger is that StarPoint will acquire the assets of APF Trust and the holders of APF Units ("APF Unitholders") will become holders of trust units of StarPoint.
- 5.25 The Merger will require approval by not less than two-thirds of the aggregate votes cast by APF Unitholders, present in person or by proxy, and voting at the meeting called for the purpose of voting on the Merger and other matters, including the Arrangement (the "Meeting") pursuant to the terms of the Trust Indenture.

**The Arrangement**

- 5.26 Prior to but as a condition to the Merger, the business of APF Energy will be divided by a series of transactions that will result in certain assets of APF Energy being sold to Amalco at a price determined by an independent oil and gas reserves evaluation and APF Unitholders being entitled to become shareholders of Amalco (the "Arrangement"). The steps to accomplish the Arrangement include the following:
  - (a) NewCo Sub will issue to Rockyview, for nominal consideration, warrants ("NewCo Sub Warrants") to purchase common shares of NewCo Sub ("NewCo Sub Shares"). The NewCo Sub Warrants will have an aggregate exercise price sufficient to finance the purchase by NewCo Sub of certain assets ("Assets") of APF Energy ("Asset Purchase"). The consideration for the issuance of the NewCo Sub Warrants to Rockyview will be paid by Rockyview issuing an adjustable note to NewCo Sub;
  - (b) APF Energy and NewCo Sub will enter into an agreement respecting the Asset Purchase;
  - (c) Rockyview will transfer the NewCo Sub Warrants to APF Energy by declaration of a dividend;
  - (d) APF Energy will:
    - (i) transfer the NewCo Sub Warrants to APF Trust for nominal consideration paid by reduction of debt owed by APF Energy to APF Trust in an amount equal to the fair market value of the NewCo Sub Warrants; and
    - (ii) issue notes ("APF Energy Notes") to APF Trust having an aggregate principal amount equal to the aggregate exercise price of the NewCo Sub Warrants. The APF Energy Notes will be payable within

- one year of the closing date of the Merger and will bear interest at 6% per annum. In consideration of the issuance of the APF Energy Notes to APF Trust, debt owed by APF Energy to APF Trust will be reduced by an amount equal to the aggregate principal amount of the APF Energy Notes;
- (e) APF Trust will distribute the NewCo Sub Warrants and the APF Energy Notes to the APF Unitholders;
- (f) APF Unitholders individually elect to:
- (i) exercise their NewCo Sub Warrants and direct their APF Energy Notes be tendered in satisfaction of the exercise price of the NewCo Sub Warrants; or
- (ii) not exercise their NewCo Sub Warrants and retain APF Energy Notes;
- (g) APF Unitholders who do not make an election will be deemed (under the Arrangement) to have elected to exercise their NewCo Sub Warrants;
- (h) NewCo Sub Warrants not exercised expire;
- (i) Rockyview and NewCo Sub will amalgamate and continue as one corporation ("Amalco") under the ABCA; and
- (j) APF Energy Notes received by NewCo Sub in satisfaction of the exercise price of NewCo Sub Warrants will be tendered by Amalco in satisfaction of the purchase price under the Asset Purchase.
- (each of the trades described above referred to collectively as the "Trades")
- 5.27 The Arrangement will be effected by way of a plan of arrangement pursuant to Section 193 of the ABCA which will require approval: (i) by at least two-thirds of the aggregate votes cast by APF Unitholders, present in person or by proxy, voting at the Meeting; and (ii) by the Court of Queen's Bench of Alberta.
- 5.28 The information circular and proxy statement with respect to the Arrangement (the "Information Circular") and the related materials to be sent to APF Unitholders for approval of the Arrangement and the Merger will contain (or to the extent permitted, will incorporate by reference) prospectus-level disclosure concerning the respective businesses of APF Trust, StarPoint, NewCo Sub and Amalco and a detailed description of the Arrangement and the Merger, and will be prepared in conformity with the provisions of the ABCA and the *Securities Act* (Alberta), except where relief is granted pursuant to this application.
- 5.29 Any NewCo Sub Warrants, NewCo Sub Shares and APF Energy Notes issued will not be listed on the TSX.
- 5.30 Upon completion of the Merger, APF Unitholders will own approximately 60% of the issued and outstanding trust units of StarPoint. Upon completion of the steps of the Arrangement, APF Unitholders will own all of the issued and outstanding common shares of Amalco (the "Amalco Shares").
- 5.31 An application will be made to list the Amalco Shares on the TSX.
- 5.32 Amalco will become a reporting issuer in Ontario upon the listing of the Amalco Shares on the TSX, and in British Columbia, Alberta and Québec upon the distribution of securities following the Arrangement.
- Reasons for Requesting Relief**
- 5.33 In certain of the jurisdictions the precise mechanics of various issuances and exchanges in securities pursuant to the Arrangement do not or may not satisfy the technical requirements of the registration and prospectus exemptions provided for under the Legislation in those Jurisdictions;
- 5.34 APF Trust intends to make a representation in the Information Circular that

- application has been made to list the Amalco Shares on the TSX and Legislation in certain jurisdictions prohibits the making of such a representation;
- 5.35 The Asset Purchase will be a "significant acquisition" (as defined in NI 51-102) that is an interest in an oil and gas property;
- 5.36 Pursuant to Section 14.2 of NI 51-102F5, because the Arrangement is a transaction under which securities of NewCo Sub and Amalco are being distributed and the Asset Purchase is a "significant acquisition", APF Trust is required to include certain annual and interim financial statement disclosure in respect of NewCo Sub, Amalco and the Assets, including annual and interim financial statements for each of the three most recently completed financial years for the Assets;
- 5.37 Pursuant to Canadian Securities Administrators (the "CSA") Staff Notice 42-303 (the "Staff Notice"), APF Trust may submit an application to the provincial and territorial securities regulatory authorities requesting relief from certain requirements of the prospectus rules that are not consistent with NI 51-102 and the CSA have indicated that they are prepared to recommend that the relief be granted on the condition that the issuer provides the financial statements specified in Item 8.5 of NI 51-102;
- 5.38 APF Trust is unable to provide financial statements in respect of the Assets because those financial statements do not exist, the Asset Purchase does not constitute a reverse take over and the Assets did not, immediately before the time of completion of the acquisition, constitute a "reportable segment" of the vendor, as defined in the Handbook;
- 5.39 APF Trust proposes to include in the Information Circular:
- (a) an audited Schedule of Revenues, Royalties and Operating Expenses for the Assets for the years ended December 31, 2004 and 2003 and the three month period ended March 31, 2005 which will include gross revenue, royalty expenses, production costs and operating income;
  - (b) an audited consolidated balance sheet for Rockyview (consolidated with NewCo Sub), as at April 12, 2005, the date of the incorporation of Rockyview and NewCo Sub; and
  - (c) a pro forma balance sheet as at March 31, 2005 and pro forma statements of Operations for the year ended December 31, 2004 and the three month period ended March 31, 2005 giving effect to the amalgamation of Rockyview and NewCo Sub and the Asset Purchase;

**Decision**

6. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.
7. The decision of the Decision Makers under the Legislation is that:
- 7.1 In Manitoba, Yukon and Nunavut, the dealer registration requirement and in Manitoba, Yukon and Nunavut, the prospectus requirement shall not apply to the Trades provided that the first trade of Amalco Shares acquired pursuant to the Arrangement shall be subject to the dealer registration requirement and the prospectus requirement of such Jurisdictions;
  - 7.2 In Manitoba, Yukon and Nunavut, the first trade of Amalco Shares acquired pursuant to the Arrangement shall not be subject to the prospectus requirement, provided that such first trade is made in compliance with the requirements set out in Subsection 2.6(3) of MI 45-102;
  - 7.3 In Quebec and Nova Scotia, the prohibition against making of a representation that an application has been or will be made to list a security on an exchange shall not apply to the representation in the Information Circular that application has been made to list the Amalco Shares on the TSX;
  - 7.4 In the Jurisdictions, the requirement to include in the Information Circular annual financial statements for each of the three most recently completed financial years of the Assets, shall not apply, provided that the Information Circular includes:

- (a) an audited Schedule of Revenues, Royalties and Operating Expenses for the Assets for the years ended December 31, 2004 and 2003 and the three month period ended March 31, 2005 which will include gross revenue, royalty expenses, production costs and operating income;
- (b) a description of the Assets; and
- (c) disclosure of the annual oil and gas production volumes from the Assets; and
- (d) the Information Circular discloses:
  - (i) the estimated reserves and related future net revenue attributable to the Assets, the material assumptions used in preparing the estimates and the identity and relationship to APF Trust of the person who prepared the estimates; and
  - (ii) the estimated oil and gas production volumes from the Assets for the first year reflected in the estimate disclosed under subparagraph (i).

"Chris Besko"  
Deputy Director, Legal  
Manitoba Securities Commission

## 2.1.5 HSBC Bank Canada and HSBC Canada Asset Trust - MRRS Decision

### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from registration and prospectus requirements where issuer's securities may be converted into or redeemed for securities of another issuer.

### Applicable Statutory Provisions

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

May 2, 2005

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

AND

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

AND

**IN THE MATTER OF  
HSBC BANK CANADA (THE BANK) AND HSBC  
CANADA ASSET TRUST (THE TRUST)  
(COLLECTIVELY THE FILERS)**

**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 Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) that certain trades in Class 1 Preferred Shares (as defined below) of the Bank contemplated by the exchange features attaching to the HSBC Canada Asset Trust Securities (HSBC HaTS) are exempt from
  - (a) the dealer registration requirements of the Legislation, and
  - (b) except in Québec, the prospectus requirements of the Legislation.

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

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (b) the MRRS decision document evidences the decision of each Decision Maker.

**Interpretation**

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

**Representations**

- 3. This decision is based on the following facts represented by the Filers:

- 1. the Bank is a Schedule II chartered bank regulated under the *Bank Act* (Canada) and is a reporting issuer within the meaning of the Legislation in each of the Jurisdictions that provide for a reporting issuer regime;
- 2. to its knowledge, the Bank is not in default of any applicable requirement under the Legislation;
- 3. the Bank's authorized share capital is 993,677,000 common shares without par value and an unlimited number of non-cumulative redeemable Class 1 Preferred Shares (Class 1 Preferred Shares) and Class 2 Preferred Shares, each issuable in series;
- 4. currently, only the Bank's Class 1 Preferred Shares - Series A and Series C are publicly traded, and are listed and posted for trading on the Toronto Stock Exchange;
- 5. the Trust completed an offering of HSBC HaTS - Series 2010 under the Filers' prospectus dated June 21, 2000;
- 6. the Trust now proposes to offer to the public by way of prospectus an additional series of HSBC HaTS designated as HSBC HaTS - Series 2015 (HSBC HaTS - Series 2015), and may, in the future, offer additional series of HSBC HaTS on terms similar in all material respects to the HSBC HaTS - Series 2010 and HSBC HaTS - Series 2015;
- 7. the distribution of each additional series of HSBC HaTS, including the HSBC HaTS - Series 2015, will be qualified by a prospectus (a Prospectus) filed in the Jurisdictions in which they are offered for sale;

- 8. the Bank will sign a certificate in the Prospectus both in its own capacity and on behalf of the Trust, in its capacity as administrative agent;
- 9. the terms of each series of HSBC HaTS will provide for, among other things, the automatic exchange of the HSBC HaTS into Class 1 Preferred Shares upon the occurrence of certain defined events, including events relating to the solvency of the Bank or actions taken by certain regulators against the Bank (the Automatic Exchange);
- 10. the Filers and an independent trustee will enter into a share exchange agreement (each, an Exchange Agreement) to facilitate the Automatic Exchange in respect of each series of HSBC HaTS;
- 11. under the Exchange Agreements, the Bank will give the Trust a right to subscribe (the Subscription Right) for Class 1 Preferred Shares in order to redeem the HSBC HaTS (if any remain outstanding) if the Automatic Exchange is triggered and, for any reason, does not result in the exchange of the HSBC HaTS for Class 1 Preferred Shares;
- 12. the Automatic Exchange will be effected through the Share Exchange Agreement and the Declaration of Trust governing the Trust;
- 13. as of the time of the Automatic Exchange, each holder of HSBC HaTS will be deemed to have transferred all of the holder's interest in its HSBC HaTS to the Bank in exchange for a specified number of Class 1 Preferred Shares per HSBC HaTS exchanged, at which time all rights of the holder as a securityholder of the Trust will cease;
- 14. the exchange ratio for the HSBC HaTS - Series 2015 will be equal to 40 Class 1 Preferred Shares per HSBC HaTS;
- 15. if the Automatic Exchange does not result in the exchange of all outstanding HSBC HaTS for Class 1 Preferred Shares, for example, if the exchange would render a former holder of HSBC HaTS a "significant shareholder" of the Bank,
  - (a) the Trust will exercise the Subscription Right to acquire Class 1 Preferred Shares, which it will use to redeem each HSBC HaTS not exchanged, or

- (b) if the former holder of HSBC HaTS would become a “significant shareholder” of the Bank, the independent trustee will sell Class 1 Preferred Shares on behalf of the former holder of HSBC HaTS and pay the holder the proceeds of the sale;
16. in addition to qualifying the distribution of the HSBC HaTS, the Prospectus will also qualify the distribution of the Automatic Exchange and the Subscription Right;
17. there are not available exemptions from the dealer registration and prospectus requirements of the Legislation in each of the Jurisdictions in connection with
- (a) the issuance of Class 1 Preferred Shares to holders of HSBC HaTS (and the related acquisition of HSBC HaTS by the Bank) upon the occurrence of an Automatic Exchange, or
- (b) the trade by the Trust of Class 1 Preferred Shares acquired upon exercise of the Subscription Right to former holders of HSBC HaTS
- (collectively, the Trades);
18. the Filers obtained exemptive relief from some of the Decision Makers to permit the Trades in connection with the offering of the HSBC HaTS – Series 2010.
- under the Legislation of the Jurisdiction in which the trade takes place (the Applicable Legislation) unless:
- (i) the Bank has filed and obtained a receipt for the prospectus under the Applicable Legislation;
- (ii) the Bank is a reporting issuer or the equivalent under the Applicable Legislation at the time of the trade, to the extent that the Applicable Legislation provides a reporting issuer regime; and
- (iii) the trade is not a control distribution as defined in Multilateral Instrument 45-102 Resale of Securities.

“Martin Eady”, CA  
Director, Corporate Finance  
British Columbia Securities Commission

### Decision

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

The decision of the Decision Makers under the Legislation is that

- (a) the dealer registration requirement does not apply in respect of the Trades, and
- (b) except in Québec, the prospectus requirement does not apply in respect of the Trades, provided that the first trade in the Class 1 Preferred Shares acquired under the Decision, other than a trade by the Trust or the Bank under the Automatic Exchange or the Subscription Right, will be deemed to be a distribution or a primary distribution to the public

**2.1.6 Tradition Asiel Securities Inc. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees**

**Headnote**

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

**Rules Cited**

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

**June 9, 2005**

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

**AND**

**IN THE MATTER OF  
TRADITION ASIEL SECURITIES INC.**

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

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

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

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

1. The Applicant is incorporated under the laws of the State of Delaware in the United States. The Applicant is registered with the U.S. Securities Exchange Commission and is a member of the U.S. National Association of Securities Dealers. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant is seeking registration in Ontario a dealer in the

category of international dealer. The Applicant's head office is in New York, New York.

2. MI 31-102 requires that all registrants in Canada enrol with CDS INC. (**CDS**) and use the national registration database (**NRD**) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (**electronic funds transfer** or, the **EFT Requirement**).
3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.
4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it has applied for registration.
5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the **Application Fee**).
6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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

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

- A. makes acceptable alternative arrangements with CDS for the payment of NRD fees;
- B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;
- C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

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

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

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

“David M. Gilkes”

## 2.1.7 VECTOR Energy Fund - MRRS Decision

### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – closed-end investment trust that holds securities of other reporting issuers exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – exemption from prospectus requirement also granted to permit first trade in additional units even though issuer only reporting issuer for two and half months – details of plan disclosed in issuer’s prospectus - decision should not be used as a precedent for seasoning period exemption – issuers should review seasoning period treatment for distribution reinvestment plans in proposed NI 45-106 – Prospectus and Registration Exemptions.

### Applicable Ontario Statutory Provisions

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

### Multilateral Instrument Cited

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

June 10, 2005

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA,  
ONTARIO, QUÉBEC, 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  
VECTOR ENERGY 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, pursuant to the securities legislation of the Jurisdictions (the “**Legislation**”), that the requirement contained in the Legislation to be



registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "**Registration and Prospectus Requirements**") shall not apply to the distribution of units of the Filer pursuant to a distribution reinvestment plan (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 an investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of March 30, 2005. The Filer's head office is located in Ontario.
2. The Filer became a reporting issuer or the equivalent thereof in the Jurisdictions on March 31, 2005 upon obtaining a receipt for its final prospectus dated March 30, 2005 (the "**Prospectus**"). The Filer is not in default of any requirements under the Legislation.
3. The beneficial interests in the Filer are divided into a single class of voting units ("**Units**"). The Filer is authorized to issue an unlimited number of Units. Each Unit represents a holder of Units' ("**Unitholder**") proportionate undivided beneficial interest in the Filer.
4. The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "VE.UN". As of May 10, 2005, 3,800,000 Units were issued and outstanding.
5. The Filer currently intends to make cash distributions ("**distributions**") of distributable income to Unitholders of record on the day on which the Filer declares a distribution to be payable (each a "**Declaration Date**"), and such distributions will be payable on a day which is on or before the last business day of the month following a Declaration Date (each a "**Distribution Date**").
6. The Filer has adopted a distribution reinvestment plan (the "**Plan**") which, subject to obtaining all necessary regulatory approvals, will permit

distributions to be automatically reinvested, at the election of each Unitholder, in additional Units ("**Plan Units**") pursuant to the Plan and in accordance with a distribution reinvestment plan agency agreement (the "**Plan Agreement**") entered into by the Filer, Middlefield VECTOR Management Limited in its capacity as manager of the Filer (in such capacity, the "**Manager**") and MFL Management Limited in its capacity as agent under the Plan (in such capacity, the "**Plan Agent**"). The Filer disclosed details of the Plan in the Prospectus.

7. Pursuant to the terms of the Plan, a Unitholder will be able to elect to become a participant in the Plan by notifying the Manager, or by causing the Manager to be notified, in writing, of the Unitholder's decision to participate in the Plan. Participation in the Plan will not be available to Unitholders who are not residents of Canada for the purposes of the *Income Tax Act* (Canada).
8. Distributions due to participants in the Plan ("**Plan Participants**") will be paid to the Plan Agent and applied to purchase Plan Units in accordance with the terms and conditions of the Plan.
9. The Plan also allows Plan Participants to make optional cash payments ("**Optional Cash Payments**") which will be used by the Plan Agent to purchase Plan Units in accordance with the terms and conditions of the Plan.
10. The Plan Agent will purchase Plan Units only in accordance with the mechanics described in the Plan and Plan Agreement and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on net asset value per Unit.
11. Distributions due to Plan Participants will be automatically reinvested on their behalf by the Plan Agent to purchase Plan Units in the market or from the Trust in the following manner:
  - (a) if the weighted average trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed) for the 10 trading days immediately preceding the relevant Distribution Date (the "**Market Price**") plus estimated brokerage fees and commissions is greater than or equal to the net asset value of the Trust ("**Net Asset Value**") per Unit as at the applicable Distribution Date, the Plan Agent will, after such Distribution Date, apply distributions to the purchase of Plan Units from the Trust at a price equal to Net Asset Value per Unit as at the Distribution Date, provided that if the Net Asset Value per Unit as at the Distribution Date is less than 95% of the Market Price per Unit on the Distribution

- Date, then Plan Units will be purchased from the Trust at a price equal to 95% of the Market Price as at the Distribution Date;
- (b) if the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit as at the Distribution Date, purchases of Plan Units will be made in the market during the 10 business days next following the relevant Distribution Date, on any business day when the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit as at such Distribution Date, and on the 11<sup>th</sup> business day after the Distribution Date the unused part (if any) of the distributions paid to the Plan Agent for the benefit of Plan Participants will be applied to a purchase of Plan Units from the Trust in accordance with paragraph (a) above;
- (c) the Plan Units purchased in the market or from the Trust shall be allocated by the Plan Agent on a *pro rata* basis to the Plan Participants; and
- (d) any applicable brokerage fees and commissions incurred in connection with purchases of Plan Units made in the market as contemplated by paragraph (b) above shall be borne on a *pro rata* basis by and from each Plan Participant's account.
12. The Plan also allows Plan Participants to make optional cash payments ("**Optional Cash Payments**") which will be used by the Plan Agent to purchase Plan Units. A Plan Participant may invest a minimum of \$100 per Optional Cash Payment. Optional Cash Payments will be used by the Plan Agent to purchase Plan Units on the same basis as distributions (as described above). The aggregate number of Plan Units that may be purchased with Optional Cash Payments in a calendar year will be limited to 2% of the outstanding Units at the commencement of that calendar year, provided that for the 2005 calendar year, the number of Plan Units that may be purchased with Optional Cash Payments will be limited to 2% of the outstanding Units immediately following the closing of the Trust's initial public offering (including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering). The Plan Agent may limit the maximum amount of Optional Cash Payments in any calendar year to ensure that the 2% limit is not exceeded, and in so doing, the Plan Agent will, in respect of the Distribution Date in which the foregoing 2% limit would otherwise be exceeded, purchase the maximum number of Plan Units as would be within the 2% limit and will allocate on a *pro rata* basis such purchased Plan Units to Plan Participants who have made Optional Cash Payments in respect of such Distribution Date. The Plan Agent will thereafter return any remaining Optional Cash Payments to the appropriate Plan Participants.
13. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.
14. As a result of the Filer's investment objectives and based on historical data, the potential for significant changes in the net asset value per Unit over short periods of time is moderate.
15. The amount of distributions that may be reinvested in the Plan Units issued from treasury is small relative to the Unitholders' equity in the Filer. The potential for dilution arising from the issuance of Plan Units by the Filer is not significant.
16. Plan Units purchased under the Plan will be registered in the name of the Plan Agent, as agent for the Plan Participants.
17. A Plan Participant may terminate his or her participation in the Plan by providing, or by causing to be provided, at least ten business days' prior written notice to the Manager and, such notice, if actually received no later than ten business days prior to the next Declaration Date, will have effect beginning with the distribution to be made with respect to such Declaration Date. Thereafter, distributions payable to such Unitholder will be in cash.
18. The Manager reserves the right to suspend or terminate the Plan at any time in its sole discretion, in which case Plan Participants and the Plan Agent will be sent written notice thereof. In particular, the Manager may, on behalf of the Filer, terminate the Plan in its sole discretion, upon not less than 30 days' prior written notice to the Plan Participants and the Plan Agent.
19. The Manager may amend or modify the Plan at any time in its sole discretion, provided that it obtains the prior approval of the TSX (if Units are then listed thereon) and provided further that if, in the Manager's reasonable opinion: (i) the amendment or modification is material to Plan Participants, then at least 30 days' prior written notice thereof is given to Plan Participants and the Plan Agent; or (ii) the amendment or modification is not material to Plan Participants, then notice thereof may be given to Plan Participants and the Plan Agent after effecting the amendment or

modification. The Manager may also, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

20. The distribution of the Plan Units by the Filer pursuant to the Plan can be made in reliance on certain registration and prospectus exemptions contained in the Legislation of Alberta, Saskatchewan and New Brunswick but not in reliance on registration and prospectus exemptions contained in the Legislation of the other Jurisdictions because the Plan involves the reinvestment of distributable income distributed by the Filer and not the reinvestment of dividends or interest of the Filer.

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

**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:

(a) in British Columbia, Manitoba, Quebec, Ontario, Prince Edward Island, Newfoundland and Labrador, Nova Scotia and Yukon, the Requested Relief is granted provided that:

- (i) at the time of the trade the Filer is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
- (ii) no sales charge is payable in respect of the distributions of Plan Units from treasury;
- (iii) the Filer has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a statement describing:

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

(B) instructions on how to exercise the right referred to in (A);

(iv) in the calendar year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that calendar year (provided that, for the 2005 calendar year, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments be limited to 2% of the outstanding Units immediately following the closing of the Filer's initial public offering, including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering);

(v) the first trade (alienation) of the Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation;

(b) in each of the Jurisdictions, the Prospectus Requirement contained in the Legislation shall not apply to the first trade (alienation) of Plan Units acquired by Plan Participants pursuant to the Plan, provided that:

(i) except in Québec, the conditions of paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 - Resale of Securities are satisfied; and

(ii) in Québec:

(A) at the time of the first trade, the Filer is a reporting issuer in Québec and is not in default of any of the

requirements of securities legislation in Québec;

- (B) no unusual effort is made to prepare the market or to create a demand for the Plan Units;
- (C) no extraordinary commission or consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and
- (D) the vendor of the Plan Units, if in a special relationship with the Filer, has no reasonable grounds to believe that the Filer is in default of any requirement of the Legislation of Québec;

"Paul M. Moore"

"Suresh Thakrar"

## 2.2 Orders

### 2.2.1 Intelpro Media Group Inc. - s. 144

#### Headnote

Cease trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

#### Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127(1)2, 127(5), 127(8), 144.

June 3, 2005

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

**AND**

**IN THE MATTER OF  
INTELPRO MEDIA GROUP INC.**

**ORDER  
(Section 144)**

**WHEREAS** the securities of Intelpro Media Group Inc. (the "Issuer") are subject to a Temporary Order of the Director dated March 1, 2005 under paragraph 127(1)2 and subsection 127(5) of the Act, as extended by an Order of the Director dated March 11, 2005 under subsection 127(8) of the Act (together, the Cease Trade Order) directing that trading in the securities of the Corporation cease;

**AND WHEREAS** the Issuer has applied to the Ontario Securities Commission (the Commission) for revocation of the Cease Trade Order pursuant to section 144 of the Act;

**AND WHEREAS** the Issuer has represented to the Commission that:

1. The Issuer is a corporation incorporated under the *Business Corporations Act* (Alberta) pursuant to a certificate of incorporation dated July 10, 1997.
2. The head office of the Issuer is in Leduc, Alberta and it is a reporting issuer in Alberta, Ontario and British Columbia.
3. The Issuer is authorized to issue an unlimited number of common shares ("Common Shares"). As of May 24, 2005, the Issuer had 9,646,127 Common Shares and 2,500,000 warrants outstanding.
4. The outstanding Common Shares are listed for trading on the TSX Venture

Exchange, NEX (the "TSX Venture"). Trading of the Common Shares is currently suspended by the TSX Venture due to the Cease Trade Order and the other similar cease trade orders issued by the securities regulatory authorities or regulators in each of Alberta and British Columbia.

5. The Cease Trade Order was issued as a result of the Issuer's failure to file and deliver annual audited financial statements for the year ended September 30, 2004.
6. On May 17, 2005, the Issuer filed its annual audited financial statements for the year ended September 30, 2004 along with its first quarter interim financial statements for the period ended December 31, 2004 and Form 13-502F1 on the System for Electronic Document Analysis and Retrieval (SEDAR).
7. The Issuer has now brought its continuous disclosure filings up to date.
8. Except for the Cease Trade Order, the Issuer is not otherwise in default of any requirement of the Act or the regulations made thereunder.

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

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

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

"John Hughes"  
Manager, Corporate Finance

**2.2.2 Secretary to the Commission - ss. 3.5(3) and 7(3)**

June 10, 2005

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

**AND**

**IN THE MATTER OF  
THE SECRETARY TO THE COMMISSION**

**ORDER  
(Subsections 3.5(3) and 7(3))**

**WHEREAS** a quorum of the Ontario Securities Commission (the "Commission") may, pursuant to subsection 3.5(3) of the Act, in writing authorize any member of the Commission to exercise any of the powers and perform any of the duties of the Commission, except the power to conduct contested hearings on the merits;

**AND WHEREAS**, the Secretary to the Commission may from time to time be absent from the Commission and unable to exercise the powers vested in the Secretary under the Act;

**AND WHEREAS** by order made on November 1, 2004, pursuant to subsection 7(3) of the Act (the "Order") the Commission designated Daisy Aranha to act in the capacity of Secretary in the absence of the Secretary.

**NOW, THEREFORE, IT IS ORDERED** that the Order is hereby revoked; and

**THE COMMISSION HEREBY AUTHORIZES**, pursuant to subsection 3.5(3) and subsection 7(3) of the Act, that any one of Josee Turcotte, Christos Grivas and Daisy Aranha is hereby designated to act in the capacity of Secretary and may alone, in the absence of the Secretary, exercise the powers vested in the Secretary under the Act or the Regulation thereto.

"David A. Brown"  
Chair

"Paul M. Moore"  
Vice-Chair

**2.2.3 Northwest Asset Management, Inc. - s. 4.1 of  
OSC Rule 31-502**

and portfolio manager in the province of Ontario;  
or

**Headnote**

Application for an exemption from subsection 3.3(4) whereby the designated registered representative, partner or officer shall be employed at the same location as the associate representative, associate partner or associate officer whose advice must be approved.

2. Mr. Holland ceases to be employed by Northwest Asset Management, Inc.

“David M. Gilkes”

**Rules Cited**

Ontario Securities Commission Rule 31-502 Proficiency Requirements for Registrants, s. 3.3(4) and s. 4.1.

**May 30, 2005**

**Northwest Asset Management, Inc. and Mr. Michel  
Lessard**

**Order under Section 4.1 of Rule 31-502 of the  
Securities Act, R.S.O. 1990 c. S. 5,  
as amended, that:**

An application has been received on April 18, 2005 from Northwest Asset Management, Inc. (NAMI) for an exemption from subsection 3.3(4) of the Ontario Securities Commission Rule 31-502 *Proficiency Requirements for Registrants* (the Rule).

Northwest Asset Management, Inc. has represented to the Director that:

1. NAMI is registered in the category of an investment counsel and portfolio manager in Ontario. Its head office is in Toronto, however, it has offices in Montreal.
2. NAMI has no other registered adviser in Toronto who could be designated under subsection 3.3(3) of the Rule to approve the advice given by Mr. Christopher Holland, an associate officer of NAMI who is located in the Toronto office.
3. Mr. Michel Lessard is NAMI's ultimately responsible person and a registered adviser who is based in its Montreal office. NAMI wishes to designate Mr. Lessard to supervise Mr. Holland within the meaning of the Rule, notwithstanding that Mr. Lessard is not employed at the same location as Mr. Holland, as required by subsection 3.3(4) of the Rule.

The Director is satisfied that it would not be prejudicial to the public interest to make the requested Order.

It is ordered under section 4.1 of Rule 31-502 that Northwest Asset Management, Inc. and Mr. Michel Lessard be exempt from subsection 3.3(4) of Rule 31-502 until

1. Northwest Asset Management, Inc. ceases to be registered in the category of investment counsel

**2.2.4 China Diamond Corp. - s. 83.1(1)**

**Headnote**

Subsection 83.1(1) – Issuer deemed to be a reporting issuer in Ontario – Issuer already a reporting issuer in Alberta and British Columbia – Issuer’s securities listed for trading on the TSX Venture Exchange – Continuous disclosure requirements in Alberta and British Columbia substantially the same as those in Ontario – Significant connection to Ontario.

**Statutes Cited**

Securities Act, R.S.O. 1990, c. S.5, as am., s. 83.1(1).

**June 9, 2005**

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

**AND**

**IN THE MATTER OF  
CHINA DIAMOND CORP.**

**ORDER  
(Subsection 83.1(1))**

**UPON** the application of China Diamond Corp. (CDC or the Filer) for an order, pursuant to subsection 83.1(1) of the Act, deeming CDC to be a reporting issuer for the purposes of Ontario securities law;

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

**AND UPON** CDC having represented to the Commission as follows:

1. CDC is a corporation that was incorporated under the *Company Act* (British Columbia) as “Sancono Ventures Inc.” on October 20, 1986 and continued into the Yukon under the provisions of the *Business Corporations Act* (Yukon) on October 8, 1997, and the Filer changed its name to “Pan Asia Mining Corp.” on that date. The Filer changed its name to “China Diamond Corp.” on December 29, 2003.
2. CDC’s head office and primary place of business is located in London, Ontario.
3. The authorized share capital of CDC consists of an unlimited number of common shares without par value (the Common Shares), of which 224,084,771 Common Shares are issued and outstanding as of May 31, 2005. The Common Shares are listed on the TSX Venture Exchange (the TSX-V).

4. CDC has a significant connection to Ontario in that it now has a majority of its directors located in Ontario and has moved its head office to Ontario.
5. CDC has been a reporting issuer under the *Securities Act* (British Columbia) (the B.C. Act) and a reporting issuer under the *Securities Act* (Alberta) (the Alberta Act) since January 6, 1988.
6. CDC is not in default of any of the requirements of the TSX-V and is not in default of any of the requirements of the B.C. Act or the Alberta Act.
7. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.
8. The continuous disclosure materials filed by CDC under the B.C. Act and the Alberta Act since it became a reporting issuer are available on the System for Electronic Document Analysis and Retrieval (SEDAR).
9. Other than British Columbia and Alberta, CDC is not a reporting issuer or equivalent under the securities legislation of any other jurisdiction in Canada.
10. Neither CDC nor any of its officers, directors nor, to the knowledge of CDC, its officers and directors, any controlling shareholders has:
  - a. been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, other than a cease trade order issued by the British Columbia Securities Commission against CDC and certain of its principals on January 24, 2003, which order was revoked on March 14, 2003;
  - b. entered into a settlement agreement with a Canadian securities regulatory authority; or
  - c. been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
11. Neither CDC nor any of its officers, directors nor, to the knowledge of CDC, its officers and directors, any controlling shareholders, is or has been subject to:
  - a. any known or ongoing or concluded investigations by
    - (i) a Canadian securities regulatory authority, or

- (ii) a court or regulatory body, other than a Canadian securities regulatory authority,

that would be likely to be considered important to a reasonable investor making an investment decision; or

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

12. None of the directors or officers of CDC, nor to the knowledge of CDC, its directors and officers, any of its controlling shareholders, is or has been at the time of such event a director or officer of any other issuer which is or has been subject to:

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

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

13. CDC shall use its best efforts to ensure that its website, which is located at [www.chinadiamondcorp.com](http://www.chinadiamondcorp.com) (the Website), complies with the following:

- a. the Website is updated with the disclosure set out in all press releases made by CDC;
- b. the Website contains appropriate cautionary language to the effect that mineral resources do not have the same level of confidence as mineral reserves; and
- c. the Website sets out the reasoning behind CDC's decision to defer the preparation of a reserve estimate.

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

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

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

"Charlie MacCready"  
Assistant Manager, Corporate Finance



**2.2.5 Hugh Alexander Agro et al. - ss. 127(1) (2), 144**

**Headnote**

Variation of cease trade order previously issued against certain directors, officers and other insiders of a reporting issuer in default of filings required under Ontario securities law – previous management and insider cease trade order (the MCTO) issued in response to earlier application by the issuer to the Commission under OSC Policy 57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements (the MCTO Policy) requesting that an MCTO be issued as an alternative to an issuer cease trade order – issuer remains in default but has filed default status reports on a biweekly basis in accordance with Part 3 of the MCTO Policy – in accordance with the issuer’s prior undertaking, the issuer has advised the Commission of recent changes to the issuer’s officers and other insiders – MCTO varied pursuant to section 144 to reflect additional respondents in the MCTO.

**Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 6(3), 127 and 144.

**Policies Cited**

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

**June 10, 2005**

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

**AND**

**IN THE MATTER OF  
HUGH ALEXANDER AGRO, JOHN A. BROUGH,  
ROBERT M. BUCHAN, SCOTT A. CALDWELL, ARTHUR  
H. DITTO, RICHARD S. HALLISEY, JOHN M.H. HUXLEY,  
JOHN A. KEYES, GEORGE F. MICHALS, CAMERON A.  
MINGAY, TERENCE C.W. REID, JOHN E. OLIVER, JOHN  
W. IVANY, LARS-ERIC JOHANSSON, RODNEY A.  
COOPER, JERRY W. DANNI, RICK BAKER, J. MICHAEL  
DOYLE, CHRISTOPHER T. HILL, ANDREW F.  
KACZMAREK, ALLAN D. SCHOENING, RONALD W.  
STEWART, SHELLEY M. RILEY AND TYE BURT  
(the “Respondents”)**

**ORDER  
(Paragraph 127(1)(2) and Section 144)**

**WHEREAS** on April 14, 2005, a director of the Ontario Securities Commission (the “Director”) made an order under paragraph 2 of subsection 127(1) of the Act as varied by an additional order dated May 16, 2005 (the “Kinross MCTO”) that all trading by the Respondents in the securities of Kinross Gold Corporation (“Kinross”) shall

cease until two full business days following the receipt by the Commission of all filings Kinross is required to make under Ontario securities law, or further order of the Director;

**AND WHEREAS** Kinross has, in accordance with its undertaking dated March 17, 2005, advised the Commission that Michael Farrant (“Mr. Farrant”) has been appointed as Vice-President, Treasurer and Mr. Hal Kirby (“Mr. Kirby”) has been appointed Vice-President, Corporate Controller of Kinross, and accordingly Kinross now makes application (the “Variation Application”) for a variation of the Kinross MCTO to include Messrs. Farrant and Kirby as additional Respondents;

**AND UPON** considering the Variation Application and the recommendations of the staff of the Commission (“Staff”);

**AND UPON** Kinross having represented to the Commission that:

1. Kinross is a reporting issuer in Ontario.
2. Kinross has failed to file its December 31, 2004 audited financial statements and related management discussion and analysis and its Annual Information Form for the year ended December 31, 2004 by the required date under Ontario Securities law, namely March 31, 2005 and as of the date of this order, Kinross has not rectified these filing deficiencies.
3. Kinross has failed to file its interim unaudited financial statements and related management discussion and analysis for the period ended March 31, 2005 by the required date under Ontario securities law, namely, May 16, 2005.
4. On March 17, 2005, Kinross made an application (the “Application”) under OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statements Filing Requirements* and CSA Staff Notice 57-301 *Failing to File Financial Statements on Time-Management Cease Trade Orders* requesting that a Management and Insider Cease Trade Order (as such term is defined in OSC Policy 57-603) be issued as an alternative to an Issuer Cease Trade Order (as such term is defined in OSC Policy 57-603).
5. On April 1, 2005, the Director made a temporary order (the “Temporary Order”) under paragraph 2 of subsection 127(1) of the Act that the Respondents cease trading in any securities of Kinross for a period of 15 days from the date of the Temporary Order.
6. On April 14, 2005 after a hearing on the matter, the Director made the Kinross MCTO;
7. Since the date of its Application, Kinross has issued and filed Default Status Reports on a bi-

weekly basis in accordance with Part 3 of OSC Policy 57-603.

8. On June 2, 2005 Mr. Farrant was appointed Vice-President, Treasurer and Mr. Kirby was appointed Vice-President, Corporate Controller of Kinross. Kinross believes that, as a result of their appointments, Messrs. Farrant and Kirby come within the definition of "Defaulting Management and Other Insiders" (as defined in OSC Policy 57-603) and accordingly should be named as additional respondents in the Kinross MCTO.
9. Kinross has in connection with the Variation Application filed written consents provided by Messrs. Farrant and Kirby relating to their inclusion as additional Respondents in the Kinross MCTO.

**AND WHEREAS** the Director is of the opinion that it is in the public interest to make this Order;

**IT IS ORDERED** under paragraph 2 of subsection 127(1) and section 144 of the Act that Messrs. Farrant and Kirby be added to the list of Respondents in the Kinross MCTO, and the Kinross MCTO be varied accordingly.

"John Hughes"  
Corporate Finance  
Ontario Securities Commission

## 2.2.6 Sun Life Assurance Company of Canada and Sun Life Financial Inc. - OSC Rule 13-502 Fees

### Headnote

Special purpose trust set up by financial institution to issue securities that comply with regulatory requirements of Office of the Superintendent of Financial Institutions relating to the issuance of innovative Tier 1 capital instruments - exempt from requirement to pay participation fees, subject to conditions.

### Ontario Rules

Ontario Securities Commission Rule 13-502 Fees.

April 20, 2005

**IN THE MATTER OF  
ONTARIO SECURITIES COMMISSION  
RULE 13-502 FEES**

**AND**

**IN THE MATTER OF  
SUN LIFE ASSURANCE COMPANY OF CANADA AND  
SUN LIFE CAPITAL TRUST**

**ORDER**

**WHEREAS** the Director has received an application from Sun Life Capital Trust (the "**Trust**"), Sun Life Assurance Company of Canada ("**Sun Life Assurance**") and Sun Life Financial Inc. ("**SLF Inc.**") for an order, pursuant to Section 6.1 of Ontario Securities Commission Rule 13-502 Fees (the "**Fees Rule**"), that the requirement to pay a participation fee under Section 2.2 of the Fees Rule shall not apply to the Trust, subject to certain terms and conditions.

**AND WHEREAS** as the Trust, Sun Life Assurance and SLF Inc. have represented to the Director that:

1. The Trust is an open-end trust established under the laws of the Province of Ontario by The Canada Trust Company, as trustee (the "**Trustee**"), pursuant to a Declaration of Trust dated August 9, 2001 (as amended and restated from time to time).
2. The Trust has a financial year-end of December 31.
3. The Trust is a reporting issuer in Ontario and, to its knowledge, is not in default of any requirement under the securities legislation of the Province of Ontario.
4. Sun Life Assurance is the administrative agent of the Trust pursuant to an administration agreement between the Trustee and Sun Life Assurance and, in that capacity, provides advice and counsel with respect to the administration of the day-to-day

- operations of the Trust as requested by the Trustee from time to time.
5. The outstanding securities of the Trust consist of (i) voting Special Trust Securities (the "**Special Trust Securities**"), (ii) non-voting Sun Life Exchangeable Securities-Series A (the "**SLEECS-Series A**"), and (iii) Sun Life Exchangeable Securities-Series B (the "**SLEECS-Series B**"). The SLEECS-Series A, the SLEECS-Series B and the Special Trust Securities are herein referred to as the "**Trust Securities**". All outstanding Special Trust Securities are held by Sun Life Assurance. The Trust distributed the SLEECS-Series A in a public offering pursuant to a prospectus dated July 17, 2000 and distributed the SLEECS-Series B in a public offering pursuant to a prospectus dated June 18, 2002 (collectively, the "**Offerings**"). The SLEECS-Series A is listed on the Toronto Stock Exchange. The SLEECS-Series B are not listed on a marketplace as defined in National Instrument 21-101 Marketplace Operation.
6. The Trust is a special purpose vehicle established solely for the purpose of effecting the Offerings in order to provide SLF Inc. and Sun Life Assurance with a cost-effective means of raising capital for Canadian financial institution regulatory purposes. The Trust does not carry on any independent business activities other than to acquire and hold assets to generate income for distribution to holders of the Trust Securities. Since it was established in 2001, the assets and liabilities of the Trust have been reported on the consolidated financial statements of SLF Inc. and Sun Life Assurance and have formed part of the Tier 1 capital of SLF Inc. and Sun Life Assurance. In accordance with recent amendments to Canadian generally accepted accounting principles ("**Canadian GAAP**"), that SLF Inc. and Sun Life Assurance adopted effective January 1, 2005, the assets and liabilities of the Trust will no longer be consolidated in the financial statements of SLF Inc. and Sun Life Assurance.
7. Pursuant to an MRRS Decision Document dated March 14, 2002 (the "**2002 Continuous Disclosure Exemption**") granted to the Trust by the Ontario Securities Commission, as principal regulator, on behalf of itself and other decision makers (collectively, the "**Decision Makers**"), the Decision Makers determined that the requirements contained in the securities legislation of the Province of Ontario and in other applicable jurisdictions (collectively, the "**Legislation**"):
  - (a) to file interim financial statements and audited annual financial statements (the "**Financial Statements**") with the Decision Makers and deliver such statements to the holders of Trust Securities;
  - (b) to make an annual filing, where applicable, with the Decision Makers in lieu of filing an information circular;
  - (c) to file an annual report and an information circular with the Decision Maker in the Province of Quebec and deliver such report or information circular to holders of Trust Securities resident in the Province of Quebec;
  - (d) to prepare and file an annual information form (the "**AIF**"), including management's discussion and analysis (the "**MD&A**"), with the Decision Makers and send such MD&A to holders of Trust Securities;

shall not apply to the Trust for so long as:

  - (i) SLF Inc. remains a reporting issuer under the Legislation;
  - (ii) Sun Life Assurance remains a reporting issuer under the Legislation, excluding the securities legislation of British Columbia, Manitoba and Newfoundland;
  - (iii) Sun Life Assurance remains eligible to use the short form prospectus system in British Columbia, Manitoba and Newfoundland under National Instrument 44-101;
  - (iv) SLF Inc. and Sun Life Assurance file with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) to (c) above of this Decision, at the same time as they are required under the Legislation to be filed by SLF Inc. and Sun Life Assurance;
  - (v) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;
  - (vi) SLF Inc. and Sun Life Assurance send their Financial Statements to holders of Trust Securities, and their Annual Report to holders of Trust Securities resident in the Province of Quebec at the same time and in the same manner as if the holders of Trust Securities were holders of common shares of SLF Inc. or common shares of Sun Life Assurance;
  - (vii) all outstanding securities of the Trust are either SLEECS or Special Trust Securities;

- (viii) the rights and obligations of holders of additional series of SLEECs are the same in all material respects as the rights and obligations of the holders of SLEECs-Series A at the date hereof; and
- (ix) all issued and outstanding Special Trust Securities continue to be directly or indirectly owned by SLF Inc.;

provided that if a material adverse change occurs in the affairs of the Trust, the MRRS Decision Document dated March 14, 2002 shall expire 30 days after the date of such change.

8. An MRRS Decision Document dated May 14, 2004 (the “**2004 Continuous Disclosure Exemption**”) granted to the Trust by the OSC, as principal regulator, on behalf of itself and other Decision Makers provided that the requirements contained in the legislation:

- (a) to file annual certificates with the Decision Makers under section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuer’s Annual and Interim Filings* (“**MI 52-109**”); and
- (b) to file interim certificates with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Trust for so long as:

- (i) the Trust does not file its own interim financial statements and interim MD&A (collectively, the “**Interim Filings**”) and AIF, annual financial statements and annual MD&A (collectively, the “**Annual Filings**”) and SLF INC. and Sun Life Assurance file their Interim Filings and Annual Filings on the Trust’s SEDAR profile in accordance with the Continuous Disclosure Exemption;
- (ii) SLF INC. and Sun Life Assurance file with the Decision Makers, in electronic format under the Trust’s SEDAR profile, the documents listed in clauses (a) and (b) above of this Decision, at the same time as they are required under the Legislation to be filed by SLF INC. and Sun Life Assurance.
- (iii) Sun SLF INC. and Sun Life Assurance remain reporting issuers, or the equivalent, under the Legislation;
- (iv) all outstanding securities of the Trust are either SLEECs or Special Trust Securities;

- (v) the rights and obligations of holders of additional series of SLEECs are the same in all material respects as the rights and obligations of the holders of SLEECs – Series A and SLEECs – Series B at the date hereof;
- (vi) all issued and outstanding Special Trust Securities continue to be directly or indirectly owned by SLF INC; and
- (vii) the Trust pays all applicable filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) and (b) above of 2004 Decision.

and provided that if a material adverse change occurs in the affairs of the Trust, the 2004 Decision shall expire 30 days after the date of such change.

9. The Trust was established by SLF Inc. and Sun Life Assurance in order to comply with the regulatory requirements of the Office of the Superintendent of Financial Institutions (“**OSFI**”) relating to the issuance of innovative Tier 1 capital instruments (the “**OSFI Guidelines**”).

10. OSFI maintains strict guidelines and standards with respect to the capital adequacy requirements of federally regulated financial institutions, including SLF Inc. and Sun Life Assurance, and, in particular, specifies minimum required amounts of Tier 1 capital to be maintained by such institutions. Tier 1 capital consists of common shareholders equity, qualifying non-cumulative perpetual preferred shares, qualifying innovative instruments and qualifying non-controlling interests arising on consolidation from Tier 1 capital instruments. Innovative instruments, such as the SLEECs, must satisfy the detailed requirements of the OSFI Guidelines to be included in Tier 1 capital. Accordingly, it was required that innovative instruments (SLEECs) were issued by a special purpose vehicle (the Trust), which was a consolidated non-operating entity whose primary purpose was to raise innovative Tier 1 capital. The Trust has been included in the financial statements of SLF Inc. and Sun Life Assurance on a fully-consolidated basis since the Trust was established in 2001. OSFI has approved the inclusion of the SLEECs-Series A and SLEECs-Series B as Tier 1 capital of Sun Life Assurance and has confirmed that the SLEECs will continue to be treated as qualifying innovative Tier 1 instruments notwithstanding the implementation of the recent amendments to Canadian GAAP.

11. Issuing innovative instruments, such as the SLEECs, is a cost effective means of raising Tier 1 capital for SLF Inc. and Sun Life Assurance.

However, the SLEECs could not have been issued directly under the OSFI Guidelines. If SLF Inc. could have issued the SLEECs directly, this capital would have been included in the calculation of the participation fee payable by SLF Inc.

12. No continuous disclosure documents concerning only the Trust will be filed with the OSC unless the conditions in the 2002 Continuous Disclosure Exemption and the 2004 Continuous Disclosure Exemption are not satisfied.
13. The Trust would be required (but for this Order) to pay participation fees under the Fees Rule.
14. SLF Inc. and Sun Life Assurance do not currently intend to issue further securities through the Trust.

**THE ORDER of the Director** under the Fees Rule is that the requirement to pay a participation fee under

Section 2.2 of the Fees Rule shall not apply to the Trust, for so long as:

- (i) the Trust, SLF Inc. and Sun Life Assurance continue to satisfy all of the conditions contained in the 2002 Continuous Disclosure Exemption and the 2004 Continuous Disclosure Exemption;
- (ii) SLF Inc. and Sun Life Assurance do not issue further securities through the Trust; and
- (iii) the capitalization of the Trust represented by the SLEECs is included in the participation fee calculation applicable to SLF Inc.

"Iva Vranic"

This page intentionally left blank

## Chapter 3

# Reasons: Decisions, Orders and Rulings

---

---

### 3.1 OSC Decisions, Orders and Rulings

#### 3.1.1 Robert Walter Harris

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

**AND**

**IN THE MATTER OF  
ROBERT WALTER HARRIS**

**Hearing:** November 26, 2004

**Panel:** H. Lorne Morphy, Q.C. - Commissioner (Chair of the Panel)  
Paul K. Bates - Commissioner  
Suresh Thakrar - Commissioner

**Counsel:** Melissa Mackewn - For the Staff of the Ontario Securities Commission  
Paul Le Vay - For Robert Walter Harris

### REASONS

We are prepared to approve the settlement agreement as being in the public interest.

In the settlement agreement, Mr. Harris acknowledges insider trading contrary to section 76(1) of the Act, failing to file the necessary reports under section 107 of the Act to reflect this trading and the failure to correct a Management Information Circular issued which incorrectly stated that Mr. Harris continued to own certain shares which he did not.

The sanctions imposed, which include a reprimand, fairly reflect the gravity of this conduct by Mr. Harris in acting contrary to the Act and the public interest.

Dated at Toronto this 25th day of January, 2005.

"H. Lorne Morphy", Q.C.

"Paul K. Bates"

"Suresh Thakrar"

This page intentionally left blank



## 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
Launch Resources Inc.	31 May 05	10 Jun 05	10 Jun 05	
Navitrak International Corporation	03 Jun 05	15 Jun 05	15 Jun 05	
Nexus Group International Inc.	09 Jun 05	21 Jun 05		
The Streetwear Corporation	14 Jun 05	24 Jun 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		
Brainhunter Inc.	18 May 05	31 May 05	31 May 05		
Cimatec Environmental Engineering	04 May 05	17 May 05	17 May 05		
Foccini International Inc.	03 May 05	16 May 05	17 May 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		
How To Web Tv Inc.	04 May 05	17 May 05	17 May 05		
Kinross Gold Corporation	01 Apr 05	14 Apr 05	14 Apr 05		
Lucid Entertainment Inc.	03 May 05	16 May 05	16 May 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		
Sargold Resources Corporation	04 May 05	17 May 05	17 May 05		
Thistle Mining Inc.	05 Apr 05	18 Apr 05	18 Apr 05		

**Cease Trading Orders**

---

**4.3.1 Issuer CTO's Revoked**

<b>Company Name</b>	<b>Date of Revocation</b>
Intelpro Media Group Inc.	<b>03 Jun 05</b>

## Chapter 5

# Rules and Policies

---

---

### 5.1.1 NI 58-101 Disclosure of Corporate Governance Practices

#### NATIONAL INSTRUMENT 58-101 DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

#### Part 1 Definitions and Application

#### 1.1 Definitions — In this Instrument,

“AIF” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“CEO” means a chief executive officer;

“code” means a code of business conduct and ethics;

“executive officer” has the same meaning as in National Instrument 51-102;

“marketplace” has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

“MD&A” has the same meaning as in National Instrument 51-102;

“MI 52-110” means Multilateral Instrument 52-110 *Audit Committees*, as enacted or adopted by the securities regulatory authority in each jurisdiction in Canada except British Columbia;

“SEDAR” has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

“significant security holder” means, in relation to an issuer, a security holder that

- (a) owns or controls 10% or more of any class of the issuer's voting securities, or
- (b) is able to affect materially the control of the issuer, whether alone or by acting in concert with others;

“subsidiary entity” has the meaning set out in MI 52-110;

“U.S. marketplace” means an exchange registered as of the effective date of this Instrument as a ‘national securities exchange’ under section 6 of the 1934 Act, or the Nasdaq Stock Market; and

“venture issuer” means an issuer that, at the end of its most recently completed financial year, does not have any of its securities listed or quoted on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America.

#### 1.2 Meaning of Independence —

- (1) In a jurisdiction other than British Columbia, a director is independent if he or she would be independent within the meaning of section 1.4 of MI 52-110.
- (2) In British Columbia, a director is independent if
  - (a) a reasonable person with knowledge of all the relevant circumstances would conclude that the director is independent of management of the issuer and of any significant security holder, or
  - (b) the issuer is a reporting issuer in a jurisdiction other than British Columbia, and the director is independent under subsection (1).

**1.3 Application** — This Instrument applies to a reporting issuer other than:

- (a) an investment fund or issuer of asset-backed securities, as defined in National Instrument 51-102;
- (b) a designated foreign issuer or SEC foreign issuer, as defined in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;
- (c) a credit support issuer or exchangeable security issuer that is exempt under sections 13.2 and 13.3 of National Instrument 51-102, as applicable; and
- (d) an issuer that is a subsidiary entity, if
  - (i) the issuer does not have equity securities, other than non-convertible, non-participating preferred securities, trading on a marketplace, and
  - (ii) the person or company that owns the issuer is
    - (A) subject to the requirements of this Instrument, or
    - (B) an issuer that has securities listed or quoted on a U.S. marketplace, and is in compliance with the corporate governance disclosure requirements of that U.S. marketplace.

**Part 2 Disclosure and Filing Requirements**

**2.1 Required Disclosure** —

- (1) If management of an issuer, other than a venture issuer, solicits a proxy from a security holder of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular the disclosure required by Form 58-101F1.
- (2) An issuer, other than a venture issuer, that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F1 in its AIF.

**2.2 Venture Issuers** —

- (1) If management of a venture issuer solicits a proxy from a security holder of the venture issuer for the purpose of electing directors to the issuer's board of directors, the venture issuer must include in its management information circular the disclosure required by Form 58-101F2.
- (2) A venture issuer that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F2 in its AIF or annual MD&A.

**2.3 Filing of Code** — If an issuer has adopted or amended a written code, the issuer must file a copy of the code or amendment on SEDAR no later than the date on which the issuer's next financial statements must be filed, unless a copy of the code or amendment has been previously filed.

**Part 3 Exemptions and Effective Date**

**3.1 Exemptions** —

- (1) The securities regulatory authority or regulator may grant an exemption from this rule, in whole or in part, subject to any conditions or restrictions imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

**3.2 Effective Date** —

- (1) This Instrument comes into force on June 30, 2005.
- (2) Despite subsection (1), sections 2.1 and 2.2 only apply to management information circulars, AIFs and annual MD&A, as the case may be, which are filed following an issuer's financial year ending on or after June 30, 2005.

**FORM 58-101F1  
CORPORATE GOVERNANCE DISCLOSURE**

**1. Board of Directors —**

- (a) Disclose the identity of directors who are independent.
- (b) Disclose the identity of directors who are not independent, and describe the basis for that determination.
- (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the **board**) does to facilitate its exercise of independent judgement in carrying out its responsibilities.
- (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.
- (e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.
- (f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.
- (g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

**2. Board Mandate —** Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

**3. Position Descriptions —**

- (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.
- (b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

**4. Orientation and Continuing Education —**

- (a) Briefly describe what measures the board takes to orient new directors regarding
  - (i) the role of the board, its committees and its directors, and
  - (ii) the nature and operation of the issuer's business.
- (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

**5. Ethical Business Conduct —**

- (a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:
  - (i) disclose how a person or company may obtain a copy of the code;

- (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and
  - (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.
- (b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.
  - (c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

**6. Nomination of Directors —**

- (a) Describe the process by which the board identifies new candidates for board nomination.
- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.
- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

**7. Compensation —**

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.
- (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.
- (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.
- (d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

**8. Other Board Committees —** If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

**9. Assessments —** Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

**INSTRUCTION:**

- (1) *This Form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.*

*Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.*

- (2) *If the disclosure required by Item 1 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.*

**Rules and Policies**

---

- (3) *Disclosure regarding board committees made under Item 8 of this Form may include the existence and summary content of any committee charter.*

**FORM 58-101F2  
CORPORATE GOVERNANCE DISCLOSURE  
(VENTURE ISSUERS)**

1. **Board of Directors** — Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including
  - (i) the identity of directors that are independent, and
  - (ii) the identity of directors who are not independent, and the basis for that determination.
2. **Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.
3. **Orientation and Continuing Education** — Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.
4. **Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.
5. **Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for board nomination, including:
  - (i) who identifies new candidates, and
  - (ii) the process of identifying new candidates.
6. **Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:
  - (i) who determines compensation, and
  - (ii) the process of determining compensation.
7. **Other Board Committees** — If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.
8. **Assessments** — Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

**INSTRUCTION:**

- (1) *This form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.*

*Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.*
- (2) *If the disclosure required by Items 1 and 2 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.*
- (3) *Disclosure regarding board committees made under Item 7 of this Form may include the existence and summary content of any committee charter.*



5.1.2 NP 58-201 Corporate Governance Guidelines

**NATIONAL POLICY 58-201  
CORPORATE GOVERNANCE GUIDELINES**

**Part 1 Purpose and Application**

**1.1 Purpose of this Policy** — This Policy provides guidance on corporate governance practices which have been formulated to:

- achieve a balance between providing protection to investors and fostering fair and efficient capital markets and confidence in capital markets;
- be sensitive to the realities of the greater numbers of small companies and controlled companies in the Canadian corporate landscape;
- take into account the impact of corporate governance developments in the U.S. and around the world; and
- recognize that corporate governance is evolving.

The guidelines in this Policy are not intended to be prescriptive. We encourage issuers to consider the guidelines in developing their own corporate governance practices.

We do, however, understand that some parties have concerns about how this Policy and National Instrument 58-101 *Disclosure of Corporate Governance Practices* affect controlled companies. Accordingly, we intend, over the next year, to carefully consider these concerns in the context of a study to examine the governance of controlled companies. We will consult market participants in conducting the study. After completing the study, we will consider whether to change how this Policy and National Instrument 58-101 treat controlled companies.

**1.2 Application** — This Policy applies to all reporting issuers, other than investment funds. Consequently, it applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board of directors (the board), includes any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, we recommend that a majority of the directors of the general partner should be independent of the limited partnership (including the general partner).

Income trust issuers should, in applying these guidelines, recognize that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this purpose, references to “the issuer” refer to both the trust and any underlying entities, including the operating entity.

**Part 2 Meaning of Independence**

**2.1 Meaning of Independence** — For the purposes of this Policy, a director is independent if he or she would be independent for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

**Part 3 Corporate Governance Guidelines**

**Composition of the Board**

- 3.1 The board should have a majority of independent directors.
- 3.2 The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as “lead director”. However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.

**Meetings of Independent Directors**

- 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

## Board Mandate

- 3.4 The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:
- (a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;
  - (b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;
  - (c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;
  - (d) succession planning (including appointing, training and monitoring senior management);
  - (e) adopting a communication policy for the issuer;
  - (f) the issuer's internal control and management information systems; and
  - (g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.<sup>1</sup>

The written mandate of the board should also set out:

- (i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and
- (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.

In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 *Disclosure Standards*.

For purposes of this Policy, "executive officer" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*.

## Position Descriptions

- 3.5 The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.

## Orientation and Continuing Education

- 3.6 The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.
- 3.7 The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.

---

<sup>1</sup> Issuers may consider appointing a corporate governance committee to consider these issues. A corporate governance committee should have a majority of independent directors, with the remaining members being "non-management" directors.

### Code of Business Conduct and Ethics

- 3.8 The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:
- (a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;
  - (b) protection and proper use of corporate assets and opportunities;
  - (c) confidentiality of corporate information;
  - (d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;
  - (e) compliance with laws, rules and regulations; and
  - (f) reporting of any illegal or unethical behaviour.
- 3.9 The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.

Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations*. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things:

- the date of the departure(s),
- the party(ies) involved in the departure(s),
- the reason why the board has or has not sanctioned the departure(s), and
- any measures the board has taken to address or remedy the departure(s).

### Nomination of Directors

- 3.10 The board should appoint a nominating committee composed entirely of independent directors.
- 3.11 The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.
- 3.12 Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:
- (A) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.
  - (B) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.

The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.

In carrying out each of these functions, the board should consider the advice and input of the nominating committee.

3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.

3.14 In making its recommendations, the nominating committee should consider:

- (a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;
- (b) the competencies and skills that the board considers each existing director to possess; and
- (c) the competencies and skills each new nominee will bring to the boardroom.

The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

### **Compensation**

3.15 The board should appoint a compensation committee composed entirely of independent directors.

3.16 The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

3.17 The compensation committee should be responsible for:

- (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;
- (b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and
- (c) reviewing executive compensation disclosure before the issuer publicly discloses this information.

### **Regular Board Assessments**

3.18 The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider

- (a) in the case of the board or a board committee, its mandate or charter, and
- (b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.

**5.1.3 Multilateral Instrument 52-110 Audit Committees and Companion Policy 52-110CP**

**AMENDMENTS TO  
MULTILATERAL INSTRUMENT 52-110 AUDIT COMMITTEES**

**Part 1 Amendments**

**1.1 Definition of Venture Issuer** — The definition of “venture issuer” in subsection 1.1 of Multilateral Instrument 52-110 *Audit Committees* (the “Instrument”) is deleted and replaced by the following:

“venture issuer” means an issuer that, at the end of its most recently completed financial year, does not have any of its securities listed or quoted on the Toronto Stock Exchange, a U.S. marketplace or a marketplace outside of Canada and the United States of America.”

**1.2 Meaning of Control** — Subsection 1.3(4) of the Instrument is amended by deleting the words “be an affiliated entity of” and substituting the word “control”.

**1.3 Meaning of Independence —**

(1) Section 1.4 of the Instrument is deleted and replaced by the following:

**“1.4 Meaning of Independence —**

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer’s internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer’s internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
  - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
  - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
  - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
  - (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

**1.5 Additional Independence Requirements —**

- (1) Despite any determination made under section 1.4, an individual who
  - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities,is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
  - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service."

- (2) Section 1.5 of the Instrument is re-numbered section 1.6

**1.4 Controlled Companies** — Paragraph (a) of subsection 3.3(2) is deleted and replaced by the following:

- "(a) the member would be independent of the issuer but for the relationship described in paragraph 1.5(1)(b) or as a result of subsection 1.4(8);"

**1.5 Temporary Exemption for Limited and Exceptional Circumstances** — Paragraph (a) of section 3.6 is amended by deleting the words "paragraph 1.4(3)(f)(i) or 1.4(3)(g)" and substituting the words "subsection 1.5(1)"

**1.6 U.S. Listed Issuers** — Section 7.1 of the Instrument is amended by

- (i) deleting the word "a" as it appears before the words "issuers, other than foreign private issuers," and
- (ii) deleting the words "paragraph 5 of Form 52-110F1" and substituting the words "paragraph 7 of Form 52-110F1".

**1.7 Replacement of "person" with "individual" —**

- (1) Paragraph 1.3(1)(b) is amended by deleting the words "or company" and substituting the words "is an individual who".
- (2) Subsection 1.3(4) is amended by deleting the words "a person" and substituting the words "an individual" and by deleting the words "the person" and substituting the words "the individual".

**1.8 Form 52-110F1** — Paragraph (c) of Item 3 of Form 52-110F1 is amended by deleting the word "persons" and substituting the word "individuals".

**1.9 Form 52-110F2 —**

- (1) Form 52-110F2 is amended by re-numbering Items 3 through 7 as Items 4 through 8, respectively, and adding the following as a new Item 3:

**"3. Relevant Education and Experience**

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements;
  - (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
  - (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
  - (d) an understanding of internal controls and procedures for financial reporting."
- (2) Form 52-110F2 is amended by deleting the words "this paragraph 5" in the instruction to Item 7 and substituting the words "this paragraph 7".

**Part 2 Effective Date**

**2.1 Effective Date** — These amendments come into force on June 30, 2005.

**AMENDMENTS TO COMPANION POLICY 52-110CP  
TO MULTILATERAL INSTRUMENT 52-110 AUDIT COMMITTEES**

**1.1 Application to Non-Corporate Entities.** Paragraph 1.2 of Companion Policy 52-110CP to Multilateral Instrument 52-110 *Audit Committees* ("52-110CP") is deleted and replaced by the following:

**"1.2 Application to Non-Corporate Entities.** The Instrument applies to both corporate and non-corporate entities. Where the Instrument or this Policy refers to a particular corporate characteristic, such as a board of directors, the reference should be read to also include any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, the directors of the general partner who are independent of the limited partnership (including the general partner) should form an audit committee which fulfils these responsibilities.

Income trust issuers should apply the Instrument in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this purpose, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

If the structure of an issuer will not permit it to comply with the Instrument, the issuer should seek exemptive relief."

**1.2 Meaning of Independence.** Part Three of 52-110CP is deleted and replaced by the following:

**"Part Three  
Independence**

**3.1 Meaning of Independence.** The Instrument generally requires every member of an audit committee to be independent. Subsection 1.4(1) of the Instrument defines independence to mean the absence of any direct or indirect material relationship between the director and the issuer. In our view, this may include a commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship, or any other relationship that the board considers to be material. Although shareholding alone may not interfere with the exercise of a director's independent judgement, we believe that other relationships between an issuer and a shareholder may constitute material relationships with the issuer, and should be considered by the board when determining a director's independence. However, only those relationships which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement should be considered material relationships within the meaning of section 1.4.

Subsection 1.4(3) and section 1.5 of the Instrument describe those individuals that we believe have a relationship with an issuer that would reasonably be expected to interfere with the exercise of the individual's independent judgement. Consequently, these individuals are not considered independent for the purposes of the Instrument and are therefore precluded from serving on the issuer's audit committee. Directors and their counsel should therefore consider the nature of the relationships outlined in subsection 1.4(3) and section 1.5 as guidance in applying the general independence requirement set out in subsection 1.4(1).

**3.2 Derivation of Definition.** In the United States, listed issuers must comply with the audit committee requirements contained in SEC rules as well as the director independence and audit committee requirements of the applicable securities exchange or market. The definition of independence included in the Instrument has therefore been derived from both the applicable SEC rules and the corporate governance rules issued by the New York Stock Exchange. The portion of the definition of independence that parallels the NYSE rules is found in section 1.4 of the Instrument. Section 1.5 of the Instrument contains additional rules regarding audit committee member independence that were derived from the applicable SEC rules. To be independent for the purposes of the Instrument, a director must satisfy the requirements in both sections 1.4 and 1.5.

**3.3 Safe Harbour.** Subsection 1.3(1) of the Instrument provides, in part, that a person or company is an affiliated entity of another entity if the person or company controls the other entity. Subsection 1.3(4), however, provides that an individual will not be considered to control an issuer if the individual:

- (a) owns, directly or indirectly, ten per cent or less of any class of voting equity securities of the issuer; and
- (b) is not an executive officer of the issuer.

Subsection 1.3(4) is intended only to identify those individuals who are not considered to control an issuer. The provision is not intended to suggest that an individual who owns more than ten percent of an issuer's voting equity securities automatically controls an issuer. Instead, an individual who owns more than ten percent of an issuer's voting



equity securities should examine all relevant facts and circumstances to determine if he or she controls the issuer and is therefore an affiliated entity within the meaning of subsection 1.3(1).

**3.4 Remuneration of Chair of Board, Etc.** Subsection 1.4(6) of the Instrument provides that, for the purpose of the prescribed relationship described in clause 1.4(3)(f), direct compensation does not include remuneration for acting as a member of the board of directors or of any board committee of the issuer. In our view, remuneration for acting as a member of the board also includes remuneration for acting as the chair of the board or of any committee of the board.”

**1.3. Disclosure of Relevant Education and Experience.** Paragraph 4.2 of 52-110CP is deleted and replaced by the following:

**“4.2 Disclosure of Relevant Education and Experience.**

- (1) Item 3 of Forms 52-110F1 and 52-110F2 require an issuer to disclose any education or experience of an audit committee member that would provide the member with, among other things, an understanding of the accounting principles used by the issuer to prepare its financial statements. The level of understanding that is requisite is influenced by the complexity of the business being carried on. For example, if the issuer is a complex financial institution, a greater degree of education and experience is necessary than would be the case for an audit committee member of an issuer with a more simple business.
- (2) Item 3 of Forms 52-110F1 and 52-110F2 also require an issuer to disclose any experience that the member has, among other things, actively supervising persons engaged in preparing, auditing, analyzing or evaluating certain types of financial statements. The phrase active supervision means more than the mere existence of a traditional hierarchical reporting relationship between supervisor and those being supervised. An individual engaged in active supervision participates in, and contributes to, the process of addressing (albeit at a supervisory level) the same general types of issues regarding preparation, auditing, analysis or evaluation of financial statements as those addressed by the individual or individuals being supervised. The supervisor should also have experience that has contributed to the general expertise necessary to prepare, audit, analyze or evaluate financial statements that is at least comparable to the general expertise of those being supervised. An executive officer should not be presumed to qualify. An executive officer with considerable operations involvement, but little financial or accounting involvement, likely would not be exercising the necessary active supervision. Active participation in, and contribution to, the process, albeit at a supervisory level, of addressing financial and accounting issues that demonstrate a general expertise in the area would be necessary.”

This page intentionally left blank

## 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 SecuritiesSource (see [www.carswell.com](http://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](http://www.sedi.ca)).

## Chapter 8

# Notice of Exempt Financings

---



---

### REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Pur. Price (\$)	No. of Securities
31-May-2005	9 Purchasers	Abcourt Mines Ltd. - Flow-Through Shares	389,208.00	1,621,700.00
31-May-2005	13 Purchasers	Abcourt Mines Ltd. - Units	338,008.00	1,690,040.00
31-May-2005	3 Purchasers	ABC American -Value Fund - Units	673,606.00	78,169.00
31-May-2005	6 Purchasers	ABC Fully-Managed Fund - Units	1,195,000.00	112,751.00
31-May-2005	19 Purchasers	ABC Fundamental - Value Fund - Units	3,608,985.52	187,614.00
03-Jun-2005	Hamblin Watsa Investment Counsel Mackenzie Cundill Global Balanced Fund	Advent Capital (Holdings) PLC - Shares	35,424,697.00	44,792,628.00
03-Jun-2005	5 Purchasers	Amusements International Ltd. - Special Warrants	66,800.00	1,336,000.00
26-May-2005	8 Purchasers	AudienceView Software Corporation - Common Shares	10,992,111.00	48,211,013.00
31-May-2005	Maria Bosco Karwill Holdings Inc.	Bariview Investment Corporation - Promissory note	230,000.00	2,300.00
17-Feb-2005	Tom Weber	BDE Equities Inc. - Common Shares	134,000.00	893,333.00
30-May-2005	3 Purchasers	BDE Equities Inc. - Common Shares	58,524.00	390,160.00
02-Jun-2005	6 Purchasers	Birchcliff Energy Ltd, - Flow-Through Shares	8,625,000.00	1,725,000.00
30-May-2005	Credico Marketing Inc. Susan Marrone	Broker Payment System Limited Partnership - Shares	200,000.00	200,000.00
06-Jun-2005	Vrinda &/or Harish Sethi	Cooper Pacific II Mortgage Investment Corporation - Shares	25,000.00	25,000.00
03-Jun-2005	Dundee Resources Limited	Coro Mining Corp. - Common Shares	500,000.00	1,000,000.00
31-May-2005	NCE Diversified Flow-Through (05) LP Jay Lefton	Culane Energy Corp. - Flow-Through Shares	266,285.00	280,300.00
29-May-2005	Brad Griffiths	Damian Capital Corp - Units	4,875.00	75,000.00
20-May-2005	Mike McBain	Deans Knight Equity Growth Fund - Units	375,000.00	201.00
31-May-2005	26 Purchasers	Diadem Resources Ltd. - Flow-Through Shares	1,195,000.00	23,900,000.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>Purchaser</b>	<b>Security</b>	<b>Total Pur. Price (\$)</b>	<b>No. of Securities</b>
01-Jun-2005	Saw Mill Holdings Limited	ELH Holdco Inc. - Promissory note	11,511,606.33	1.00
31-May-2005	Falconbridge Limited	First Nickel Inc. - Common Shares	3,222,403.00	4,405,085.00
31-May-2005	The Bank of Nova Scotia	First Trust/Highland Capital Senior Loan Trust - Trust Units	79,745,000.00	79,745,000.00
30-May-2005	Terry & Delta O'Hara	Fisgard Capital Corporation - Common Shares	60,000.00	60,000.00
06-May-2005	Gail Bebee	Fisgard Capital Corporation - Common Shares	17,157.00	17,157.00
03-Jun-2005	Harish & Vrinda Sethi	Fisgard Capital Corporation - Common Shares	10,000.00	10,000.00
05-May-2005	James C. Keating James m. Molloy	FrequentTraveller.com Inc. - Shares	11,000.00	180,000.00
01-Jun-2005	Soo Mill Holdings Limited	FSH Holdco Inc. - Promissory note	11,511,606.33	1.00
12-May-2005	14 Purchasers	Galleon Energy Inc. - Flow-Through Shares	17,925,000.00	1,434,000.00
12-May-2005	26 Purchasers	Galleon Energy Inc. - Subscription Receipts	27,055,000.00	2,705,500.00
26-May-2005	LDL Corp.	High Plains Uranium, Inc. - Special Warrants	30,000.00	60,000.00
31-May-2005 to 09-Jun-2005	William Swan Max Fantz	InnerVision Medical Technologies Inc. - Common Shares	150,000.00	120,000.00
13-May-2005	Bruce Mitchell	Interex Oilfield Services Ltd. - Special Warrants	195,000.00	300,000.00
26-May-2005	Strategic Advisors Corp.	Interex Oilfield Services Ltd. - Special Warrants	2,860.00	4,400.00
26-May-2005	Strategic Advisors Corp.	Interex Oilfield Services Ltd. - Special Warrants	25,415.00	39,100.00
30-May-2005	Island Timberlands Holdings LP	Island Timberlands Limited Partnership – LP Units	332,572,000.00	26,584,492.00
01-Jun-2005	Soo Mill Holdings Limited	IW Hollingsworth Investco ULC - Promissory note	11,511,606.34	1.00
08-Jun-2005	Bert Van Kleef	KBSH Income Trust Fund - Units	70,000.00	5,686.00
08-Jun-2005	Joy Van Kleef	KBSH Income Trust Fund - Units	155,000.00	12,589.00
06-Jun-2005	Bert Van Kleef	KBSH Money Market Fund - Units	209,331.07	20,933.00
06-Jun-2005	Joy Van Kleef	KBSH Money Market Fund - Units	468,988.22	46,899.00
01-Jan-2005	5 Purchasers	Laurence Development LP - Limited Partnership Units	1,950,000.00	1,950,000.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>Purchaser</b>	<b>Security</b>	<b>Total Pur. Price (\$)</b>	<b>No. of Securities</b>
26-May-2005	15 Purchasers	Leeward Capital Corp. - Units	388,775.00	1,110,785.00
01-Jun-2005	7 Purchasers	Longbow Capital Limited Partnership – LP Units	1,100,000.00	1,100.00
01-Jan-2004 to 21-Apr-2005	43 Purchasers	Mavrix Fund Management Inc. - Units	2,890,670.00	304,136.00
06-Jun-2005	4 Purchasers	METCONNEX INC. - Shares	2,012,119.87	9,396,212.00
06-Jun-2005	Skypoint II G.P. Inc. Business Development Bank of Canada	METCONNEX INC. - Stock Option	4.70	4,698,106.00
31-May-2005	Northern Securities Inc.	Mint Technology Corp. - Option	0.00	627,000.00
31-May-2005	3 Purchasers	Mint Technology Corp. - Units	2,103,726.00	5,259,315.00
31-May-2005	13 Purchasers	Mint Technology Corp. - Units	2,389,000.00	5,972,500.00
02-Jun-2005	Merrill Lynch Canada Inc.	MMAI-I Trust - Notes	50,000,000.00	1.00
01-Jun-2005	3 Purchasers	MPI Packaging Inc. - Common Shares	1.00	18,750.00
01-Jun-2005	3 Purchasers	MPI Packaging Inc. - Debentures	0.00	4,300,000.00
31-May-2005	4 Purchasers	Newport Alternative Income Fund - Units	230,000.00	287.00
03-Jun-2005	4 Purchasers	O'Donnell Emerging Companies Fund - Units	31,000.00	4,149.00
31-May-2005	CIBC World Markets Inc.	Oilsands Quest Inc. - Units	280,391.93	146,475.00
02-Jun-2005	Quorum Investment Pool LP	Positron Technologies Inc. - Convertible Debentures	2,000,000.00	2,000,000.00
30-May-2005	15 Purchasers	Purepoint Uranium Corporation - Common Shares	983,000.00	170,829.00
27-May-2005	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	20,108.96	2,738.00
27-May-2005	3 Purchasers	Regis Resources Inc. - Flow-Through Shares	80,000.00	666,666.00
31-May-2005	Statutory Fixed Income Fund	Residential Reinsurance 2005 Limited - Notes	1,000,000.00	1,000,000.00
31-May-2005	82 Purchasers	RPFL-Kensington Private Equity LP No. 1 - LP Units	29,600,000.00	592.00
02-Jun-2005	Merrill Lynch Canada Inc.	Silverstone Trust - Notes	150,000,000.00	2.00
23-May-2005	Fidelity Focus Financial Services Fund	Skandinaviska Enskilda Banken AB - Shares	2,136,250.94	13,200.00
01-Jun-2005	4 Purchasers	Stacey Investment Limited Partnership – LP Units	550,020.56	17,092.00

**Notice of Exempt Financings**

---

<b>Transaction Date</b>	<b>Purchaser</b>	<b>Security</b>	<b>Total Pur. Price (\$)</b>	<b>No. of Securities</b>
08-Jun-2005	3 Purchasers	Strathallen Retail Property LP No. 1 – LP Interest	26,000,001.00	0.00
31-May-2005	Douglas Bradshaw	The McElvaine Investment Limited Partnership - Trust Units	48,484.00	2,213.00
30-May-2005	67 Purchasers	Tonbridge Power Corporation - Units	2,858,100.00	16,332,000.00
01-Jun-2005	Dean T. Hiebert	Tower Hedge Fund L.P. - Units	199,600.00	16,347.00
31-May-2005	Canada Dominion Resource 2005 LP CMP 2005 Resource LP Limited	Twenty-Seven Capital Corp - Common Shares	1,400,009.40	1,555,566.00
25-May-2005	Timothy J. Armstrong	Walsingham Fund LP No. 1 - Units	25,000.00	25.00
02-Jun-2005	Darren Carmichael	Yale Resources Ltd. - Units	5,100.00	30,000.00

## Chapter 11

# IPOs, New Issues and Secondary Financings

---

---

**Issuer Name:**

Alturas Minerals Corp.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

Minimum Offering: \$ \* or \* Units; Maximum Offering: \$ \* or \*  
Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

Dundee Securities Corporation  
Paradigm Capital Inc.  
TD Securities Inc.

**Promoter(s):**

Equinox Minerals Limited

**Project #796529**

---

**Issuer Name:**

AMR TECHNOLOGIES INC.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

Cdn\$ (( Subscription Receipts each representing the right to receive one common share and one-half of one common share purchase warrant

**Underwriter(s) or Distributor(s):**

GMP Securities Ltd.

**Promoter(s):**

-

**Project #796758**

---

**Issuer Name:**

Canadian Capital Auto Receivables Asset Trust  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated June 14, 2005  
Mutual Reliance Review System Receipt dated June 14, 2005

**Offering Price and Description:**

(1) \$ \* - \* % Auto Loan Receivables-Backed Notes, Series 2005-1, Class A-1; (2) \$ \* - \* % Auto Loan Receivables-Backed Notes, Series 2005-1, Class A-2; (3) \$ \* - \* % Auto Loan Receivables-Backed Notes, Series 2005-1, Class A-3

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.

**Promoter(s):**

-

**Project #797554**

---

**Issuer Name:**

Cita NeuroPharmaceuticals Inc.  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Preliminary Prospectus dated June 13, 2005  
Mutual Reliance Review System Receipt dated June 14, 2005

**Offering Price and Description:**

\$ \* - \* Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

First Associates Investments Inc.  
Haywood Securities Inc.  
Research Capital Corporation

**Promoter(s):**

-

**Project #772545**

---



**Issuer Name:**

Creststreet Power & Income Fund LP  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 13, 2005  
Mutual Reliance Review System Receipt dated June 14, 2005

**Offering Price and Description:**

\$ \* - \* Limited Partnership Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
CIBC World Markets Inc.  
National Bank Financial Inc.  
TD Securities Inc.  
Canaccord Capital Corporation  
HSBC Securities (Canada) Inc.

**Promoter(s):**

Creststreet Asset Management Limited

**Project #797620**

---

**Issuer Name:**

Duvernay Oil Corp.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Short Form Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 8, 2005

**Offering Price and Description:**

\$49,950,000.00 - 1,800,000 Common Shares Price: \$27.75 per Common Share

**Underwriter(s) or Distributor(s):**

Peters & Co. Limited  
FirstEnergy Capital Corp.  
Scotia Capital Inc.  
BMO Nesbitt Burns Inc.  
First Associates Investments Inc.  
Raymond James Ltd.  
Sprott Securities Inc.

**Promoter(s):**

-

**Project #796310**

---

**Issuer Name:**

Ferique American Fund  
Férique Balanced Fund  
Ferique Bond Fund  
Ferique Equity Fund  
Ferique International Fund  
Ferique Short Term Income Fund  
Férique Asian Fund  
Férique European Fund  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Simplified Prospectuses dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

National Bank Securities Inc.  
Placements Banque Nationale Inc.  
Placement Banque Nationale Inc.  
Placement Banque Nationale Inc.

**Promoter(s):**

Gestion Ferique Inc.

**Project #796316**

---

**Issuer Name:**

Genericspharma Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 6, 2005  
Mutual Reliance Review System Receipt dated June 8, 2005

**Offering Price and Description:**

\$ \* - \* Common Shares Price: \$ \* per Common Shares

**Underwriter(s) or Distributor(s):**

Research Capital Corporation  
Canaccord Capital Corporation  
Orion Securities Inc.

**Promoter(s):**

Achilles N. Vigopoulos

**Project #795899**

---

**Issuer Name:**

GeoPetro Resources Company  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated June 7, 2005  
Mutual Reliance Review System Receipt dated June 8, 2005

**Offering Price and Description:**

\$US \* - \* Common Shares; and \* Flow-Through Common Shares  
Price: US\$ \* per Common Share US\$ \* per Flow-Through Share

**Underwriter(s) or Distributor(s):**

Dundee Securities Corporation

**Promoter(s):**

-

**Project #796276**

---

**Issuer Name:**

GGOF Floating Rate Income Fund  
GGOF Japanese Value Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectuses dated June 6, 2005  
Mutual Reliance Review System Receipt dated June 8, 2005

**Offering Price and Description:**

(F Class Units and Mutual Fund Units)

**Underwriter(s) or Distributor(s):**

Jones Heward Investment Management Inc.  
Guardian Group of Funds Ltd.

**Promoter(s):**

Guardian Group of Funds Ltd.

**Project #795433**

---

**Issuer Name:**

High Arctic Energy Services Trust  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated June 10, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

\$ \* - \* Trust Units Price: \$ \* per Trust Unit

**Underwriter(s) or Distributor(s):**

Canaccord Capital Corporation

**Promoter(s):**

High Arctic Energy Services Inc.

**Project #797083**

---

**Issuer Name:**

Hydro One Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Shelf Prospectus dated June 7, 2005  
Mutual Reliance Review System Receipt dated June 8, 2005

**Offering Price and Description:**

\$2,500,000,000.00 - Medium Term Notes (Unsecured)

**Underwriter(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
Casgrain & Company Limited  
CIBC World Markets Inc.  
HSBC Securities (Canada) Inc.  
Laurentian Bank Securities Inc.  
National Bank Financial Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
TD Securities Inc.

**Promoter(s):**

-

**Project #795984**

---

**Issuer Name:**

LifePoints 2010 Portfolio  
LifePoints 2020 Portfolio  
LifePoints 2030 Portfolio  
LifePoints All Equity Portfolio  
LifePoints Balanced Growth Portfolio  
LifePoints Balanced Income Portfolio  
LifePoints Long-Term Growth Portfolio  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectuses dated June 13, 2005  
Mutual Reliance Review System Receipt dated June 14, 2005

**Offering Price and Description:**

Class B and F Units

**Underwriter(s) or Distributor(s):**

Frank Russell Canada Limited

**Promoter(s):**

Frank Russell Canada Limited

**Project #797395**

---

**Issuer Name:**

Loblaw Companies Limited  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Shelf Prospectus dated June 8, 2005

Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

\$1,000,000,000.00 - Medium Term Notes (unsecured)

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
Merrill Lynch Canada Inc.  
National Bank Financial Inc.  
Scotia Capital Inc.  
TD Securities Inc.

**Promoter(s):**

-

**Project #796633**

---

**Issuer Name:**

MDC Partners Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated June 10, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

\$40,000,000.00 - 8.00% Convertible Unsecured  
Subordinate Debentures due June 30, 2010 Price:  
\$1,000.00 per Debenture

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
CIBC World Markets Inc.  
TD Securities Inc.  
GMP Securities Inc.

**Promoter(s):**

-

**Project #796914**

---

**Issuer Name:**

Oilexco Incorporated  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Short Form Prospectus dated June 13, 2005  
Mutual Reliance Review System Receipt dated June 13, 2005

**Offering Price and Description:**

\$68,820,000.00 - 31,000,000 Common Shares Price \$2.22  
per Share

**Underwriter(s) or Distributor(s):**

---

Canaccord Capital Corporation

**Promoter(s):**

-

**Project #797417**

---

**Issuer Name:**

Pizza Pizza Royalty Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Preliminary Prospectus dated June 9, 2005

Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

\$ \* - \* Units Price: \$10.00 per Unit

**Underwriter(s) or Distributor(s):**

TD Securities Inc.  
CIBC World Markets Inc.  
BMO Nesbitt Burns Inc.  
Scotia Capital Inc.  
RBC Dominion Securities Inc.  
National Bank Financial Inc.

**Promoter(s):**

Pizza Pizza Limited

**Project #790114**

---

**Issuer Name:**

Pyramid Petroleum Inc.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary CPC Prospectus dated June 7, 2005  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

A Minimum of 2,500,000 Common Shares (\$500,000.00)  
and a Maximum of 7,500,000 Common Shares  
(\$1,500,000.00) Price: \$0.20 per Common Share

**Underwriter(s) or Distributor(s):**

Research Capital Corporation

**Promoter(s):**

Mansoor A. Anjum

**Project #789340**

---

**Issuer Name:**

Bell Canada  
Principal Regulator - Quebec

**Type and Date:**

Final Short Form Shelf Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

\$3,000,000,000.00 Debt Securities (Unsecured)

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #789147**

---

**Issuer Name:**

Templeton Growth Fund, Ltd.  
Templeton Growth RSP Fund  
Templeton International Stock Fund  
Templeton International Stock RSP Fund  
Templeton Emerging Markets Fund  
Templeton Emerging Markets RSP Fund  
Templeton Global Smaller Companies Fund  
Templeton Global Smaller Companies RSP Fund  
Templeton Global Balanced Fund  
Templeton Global Balanced RSP Fund  
Templeton Global Bond Fund  
Templeton Canadian Stock Fund  
Templeton Canadian Asset Allocation Fund  
Templeton Balanced Fund  
Franklin U.S. Large Cap Growth Fund  
Franklin U.S. Large Cap Growth RSP Fund  
Franklin U.S. Small-Mid Cap Growth Fund  
Franklin U.S. Small-Mid Cap Growth RSP Fund  
Franklin Flex Cap Growth Fund  
Franklin Flex Cap Growth RSP Fund  
Franklin World Health Sciences and Biotech Fund  
Franklin World Health Sciences and Biotech RSP Fund  
Franklin World Telecom Fund  
Franklin World Telecom RSP Fund  
Franklin Technology Fund  
Franklin Technology RSP Fund  
Franklin World Growth Fund  
Franklin World Growth RSP Fund  
Franklin High Income Fund  
Franklin Strategic Income Fund  
Bissett Canadian Equity Fund  
Bissett Small Cap Fund  
Bissett Large Cap Fund  
Bissett Microcap Fund  
Bissett American Equity Fund  
Bissett American Equity RSP Fund  
Bissett Multinational Growth Fund  
Bissett Multinational Growth RSP Fund  
Bissett International Equity Fund  
Bissett Canadian Balanced Fund  
Bissett Dividend Income Fund  
Bissett Bond Fund  
Bissett Income Fund  
Bissett Income Trust and Dividend Fund  
Bissett Canadian Short Term Bond Fund  
Bissett All Canadian Focus Fund  
Bissett Income Trust Fund  
Mutual Beacon Fund  
Mutual Beacon RSP Fund  
Mutual Discovery Fund  
Mutual Discovery RSP Fund  
Franklin Templeton Canadian Small Cap Fund  
Franklin Templeton Treasury Bill Fund  
Franklin Templeton U.S. Money Market Fund

Franklin Templeton Money Market Fund  
Templeton Growth Tax Class  
Templeton International Stock Tax Class  
Templeton Emerging Markets Tax Class  
Templeton Global Smaller Companies Tax Class  
Templeton Canadian Stock Tax Class  
Templeton European Tax Class  
Templeton China Tax Class  
Franklin U.S. Large Cap Growth Tax Class  
Franklin U.S. Small-Mid Cap Growth Tax Class  
Franklin Flex Cap Growth Tax Class  
Franklin World Health Sciences and Biotech Tax Class  
Franklin World Telecom Tax Class  
Franklin Technology Tax Class  
Franklin World Growth Tax Class  
Franklin Japan Tax Class  
Franklin Templeton Diversified Income Tax Class Portfolio  
Franklin Templeton Balanced Income Tax Class Portfolio  
Franklin Templeton Balanced Growth Tax Class Portfolio  
Franklin Templeton Growth Tax Class Portfolio  
Franklin Templeton Canadian Growth Tax Class Portfolio  
Franklin Templeton Global Growth Tax Class Portfolio  
Franklin Templeton Maximum Growth Tax Class Portfolio  
Bissett Canadian Equity Tax Class  
Bissett Small Cap Tax Class  
Bissett Multinational Growth Tax Class  
Bissett Bond Tax Class  
Bissett All Canadian Focus Tax Class  
Mutual Beacon Tax Class  
Mutual Discovery Tax Class  
Franklin Templeton Money Market Tax Class  
Franklin Templeton U.S. Money Market Tax Class  
Franklin Templeton Diversified Income Portfolio  
Franklin Templeton Balanced Income Portfolio  
Franklin Templeton Balanced Growth Portfolio  
Franklin Templeton Growth Portfolio  
Franklin Templeton Canadian Growth Portfolio  
Franklin Templeton Global Growth Portfolio  
Franklin Templeton Maximum Growth Portfolio  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 6, 2005  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

Series A, F, I, O, T Units and Series A, F, I, O Shares

**Underwriter(s) or Distributor(s):**

Franklin Templeton Investments Corp.  
Franklin Templeton Investmetns Corp.  
Bissett Investment Management, a division of Franklin Templeton Investments Corp.

**Promoter(s):**

-

**Project #771490**

---

**Issuer Name:**

BPI Global Equity Corporate Class (formerly, BPI Global Equity Sector Fund)  
BPI International Equity Fund  
BPI International Equity RSP Fund  
BPI International Equity Corporate Class (formerly, BPI International Equity Sector Fund)  
CI Asian Dynasty Fund  
CI Canadian Small Cap Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #7 dated May 30, 2005 to the Simplified Prospectuses dated July 23, 2004 and an Amendment #8 dated May 30, 2005 to the Annual Information Forms dated July 23, 2004  
Mutual Reliance Review System Receipt dated June 13, 2005

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

CI Mutual Funds Inc.

**Project #665295**

---

**Issuer Name:**

Clarica Premier Bond Fund  
Clarica Summit Dividend Growth Fund  
Clarica Canadian Blue Chip Fund  
Clarica Canadian Diversified Fund  
Clarica Summit Canadian Equity Fund  
Clarica Summit Growth and Income Fund  
Clarica Summit Foreign Equity Fund  
Clarica Canadian Equity Fund  
Clarica Premier International Fund  
Clarica US Small Cap Fund  
Clarica Canadian Small/Mid Cap Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #2 dated May 30, 2005 to the Simplified Prospectuses dated July 15, 2004 and an Amendment #3 dated May 30, 2005 to the Annual Information Forms dated July 15, 2004  
Mutual Reliance Review System Receipt dated June 9, 2005

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

CI Mutual Funds Inc.

**Project #659955**

---

**Issuer Name:**

First Capital Realty Inc.  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Short Form Base Shelf Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 13, 2005

**Offering Price and Description:**

\$300,000,000.00 - Debt Securities (Senior Unsecured)

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #787363**

---

**Issuer Name:**

Lakeport Brewing Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

\$51,957,460.00 - 5,195,746 Units Price: \$10.00 Per Unit

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
RBC Dominion Securities Inc.  
Westwind Partners Inc.  
National Bank Financial Inc.

**Promoter(s):**

Lakeport Brewing Corporation  
CASC Corp.

**Project #777442**

---

**Issuer Name:**

Mackenzie Universal Sustainable Opportunities Capital Class

Mackenzie Universal Health Sciences Capital Class  
Mackenzie Universal World Real Estate Capital Class

Principal Regulator - Ontario

**Type and Date:**

Amendment #2 dated June 6, 2005 to Simplified Prospectuses and Annual Information Forms dated September 30, 2004

Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Mackenzie Financial Corporation

**Project #689035**

---

**Issuer Name:**

Middlefield Growth Class  
Middlefield Equity Index Class  
Middlefield U.S. Equity Class  
Middlefield Income Plus Class  
Middlefield Index Income Class  
Middlefield Resource Class  
Middlefield Canadian Balanced Class  
Middlefield Income and Growth Class  
Middlefield Short-Term Income Class  
Middlefield Enhanced Yield Fund  
Middlefield Money Market Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 10, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

Mutual Fund Shares @ Net Asset Value

**Underwriter(s) or Distributor(s):**

Middlefield Capital Corporation

**Promoter(s):**

-

**Project #781145**

---

**Issuer Name:**

Northwest Canadian Equity Fund  
Northwest Money Market Fund  
Northwest Canadian Bond Fund  
Northwest Canadian Dividend Fund  
Northwest Growth and Income Fund  
Northwest Foreign Equity Fund  
Northwest U.S. Equity Fund  
Northwest EAFE Fund  
Northwest RSP Foreign Equity Fund  
Northwest Specialty High Yield Bond Fund  
Northwest Specialty Global High Yield Bond Fund  
Northwest Specialty Equity Fund  
Northwest Specialty Innovations Fund  
Northwest Specialty Growth Fund Inc.  
Northwest Quadrant Conservative Portfolio  
Northwest Quadrant Growth and Income Portfolio  
Northwest Quadrant All Equity Portfolio  
Northwest Quadrant Monthly Income Portfolio  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 10, 2005  
Mutual Reliance Review System Receipt dated June 14, 2005

**Offering Price and Description:**

Series A, F and I Units @ Net Asset Value

**Underwriter(s) or Distributor(s):**

Northwest Mutual Fund Inc.  
Northwest Mutual Funds Inc.

**Promoter(s):**

-

**Project #777970**

---

**Issuer Name:**

Rolling Rock Resources Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Final CPC Prospectus dated June 8, 2005  
Mutual Reliance Review System Receipt dated June 10, 2005

**Offering Price and Description:**

\$500,000.00 - 5,000,000 common shares, Price: \$0.10 per common share

**Underwriter(s) or Distributor(s):**

Graydon Elliott Capital Corporation

**Promoter(s):**

Scott Angus

**Project #777124**

---

**Issuer Name:**

Wajax Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated June 10, 2005  
Mutual Reliance Review System Receipt dated June 13,  
2005

**Offering Price and Description:**

\$48,125,000.00 - 2,500,000 Fund Units Price: \$19.25 Per  
Fund Unit

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
BMO Nesbitt Burns Inc.  
RBC Dominion Securities Inc.  
Sprott Securities Inc.  
Canaccord Capital Corporation  
Desjardins Securities Inc.

**Promoter(s):**

Wajax Limited

**Project #783626**

---



This page intentionally left blank

## Chapter 12

# Registrations

---

---

### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Gibraltar Alternative Asset Consulting Group Inc.	Limited Market Dealer	June 9, 2005
New Registration	SAM Sustainable Asset Management AG	International Adviser	June 14, 2005
New Registration	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.	International Dealer	June 10, 2005
Surrender of Registration	Faiz & Associates Inc.	Mutual Fund Dealer & Limited Market Dealer	June 10, 2005

This page intentionally left blank

## Chapter 13

# SRO Notices and Disciplinary Proceedings

---

---

### 13.1.1 MFDA News Release - Raymond Brown-John

#### FOR IMMEDIATE RELEASE

#### MFDA PACIFIC HEARING PANEL CONCLUDES BROWN-JOHN HEARING

**June 9, 2005** (Toronto, Ontario) – A disciplinary hearing in the Matter of Raymond Brown-John was held before a Hearing Panel of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada (MFDA) on Tuesday, June 7, 2005 in Vancouver, British Columbia.

At the conclusion of the hearing and after receiving submissions, the Hearing Panel advised that it would issue its decision in due course.

A copy of the Notice of Hearing is available on the MFDA web site at [www.mfda.ca](http://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](mailto:gljubic@mfda.ca)

### 13.1.2 MFDA News Release - MFDA Ontario Hearing Panel Makes Findings Against Anthony McPhail

#### FOR IMMEDIATE RELEASE

#### MFDA ONTARIO HEARING PANEL MAKES FINDINGS AGAINST ANTHONY MCPHAIL

**June 10, 2005** (Toronto, Ontario) – A disciplinary hearing in the Matter of Anthony McPhail was held yesterday before a Hearing Panel of the Ontario Regional Council of the Mutual Fund Dealers Association of Canada (MFDA) in Toronto, Ontario. The Hearing Panel found that the two allegations set out by MFDA staff in the Notice of Hearing dated March 29, 2005, summarized below, had been substantiated:

- Allegation #1: Commencing March 16, 2004, McPhail failed to produce for inspection and provide copies of documents requested by the MFDA for the purpose of an investigation of McPhail's conduct, contrary to section 22.1(b) of MFDA By-law No. 1.
- Allegation #2: Commencing August 24, 2004, McPhail failed to attend at the offices of the MFDA to give information respecting the matters under investigation, contrary to section 22.1.(c) of MFDA By-law No. 1.

The Hearing Panel made the orders summarized below and advised that it would issue written reasons in due course:

- A permanent prohibition to conduct certain securities related business, the details of which will be specified in the written reasons to be filed at a later date;
- A fine in the amount of \$50,000; and
- Costs in the amount of \$10,000.

A copy of the Notice of Hearing is available on the MFDA web site at [www.mfda.ca](http://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@mfd.ca

## Chapter 25

# Other Information

---

---

### 25.1 Approvals

#### 25.1.1 Resolute Funds Limited - s. 213(3)(b) of the LTCA

##### Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with no prior track record of acting as trustee, for approval to act as trustee of a pooled fund to be established and managed by the applicant and offered pursuant to a prospectus exemption.

##### Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

June 7, 2005

##### Blake, Cassels & Graydon LLP

##### Attention: Michael W. Sharp

Dear Sirs/Mesdames:

Re: Resolute Funds Limited (the “Applicant”) for approval to act as the trustee of Resolute Performance Fund (the “Trust”)

Further to the application dated May 27, 2005 (the “Application”) filed on behalf of the Applicant and based on the facts set out in the Application, pursuant to 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 the Trust to be established and managed by the Applicant, the securities of which will be offered pursuant to a prospectus exemption.

“Carol S. Perry”

“Wendell S. Wigle”

This page intentionally left blank

# Index

---

---

<b>1163947 Alberta Inc.</b>			
MRRS Decision.....	5349		
<b>6223150 Canada Inc.</b>			
MRRS Decision.....	5337		
<b>Agro, Hugh Alexander</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>APF Energy Inc.</b>			
MRRS Decision.....	5349		
<b>APF Energy Trust</b>			
MRRS Decision.....	5349		
<b>Argus Corporation Limited</b>			
Cease Trading Order .....	5375		
<b>Baker, Rick</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Brainhunter Inc.</b>			
Cease Trading Order .....	5375		
<b>Brough, John A.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Brown-John, Raymond</b>			
SRO Notices and Disciplinary Proceedings .....	5505		
<b>Buchan, Robert M.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Burt, Tye</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Caldwell, Scott A.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
China Diamond Corp.			
Order - s. 83.1(1).....	5365		
<b>Cimatec Environmental Engineering</b>			
Cease Trading Order .....	5375		
<b>Cooper, Rodney A.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Coöperatieve Centrale Raiffeisen- Boerenleenbank B.A.</b>			
New Registration.....	5503		
<b>Danni, Jerry W.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Ditto, Arthur H.</b>			
Order - ss. 127(1) (2), 144 .....	5367		
<b>Dover Corporation (Canada) Acquisition I Limited</b>			
MRRS Decision .....	5340		
<b>Dover Corporation (Canada) Limited</b>			
MRRS Decision .....	5340		
<b>Doyle, J. Michael</b>			
Order - ss. 127(1) (2), 144.....	5367		
<b>Faiz &amp; Associates Inc.</b>			
Surrender of Registration .....	5503		
<b>Foccini International Inc.</b>			
Cease Trading Order.....	5375		
<b>Forte Resources Inc.</b>			
MRRS Decision .....	5344		
<b>Gibraltar Alternative Asset Consulting Group Inc.</b>			
New Registration .....	5503		
<b>Hallisey, Richard S.</b>			
Order - ss. 127(1) (2), 144.....	5367		
<b>Harris, Robert Walter</b>			
Reasons for Decision .....	5373		
<b>Hill, Christopher T.</b>			
Order - ss. 127(1) (2), 144.....	5367		
<b>Hollinger Canadian Newspapers, Limited Partnership</b>			
Cease Trading Order.....	5375		
<b>Hollinger Inc.</b>			
Cease Trading Order.....	5375		
<b>Hollinger International Inc.</b>			
Cease Trading Order.....	5375		
<b>How To Web Tv Inc.</b>			
Cease Trading Order.....	5375		
<b>HSBC Bank Canada</b>			
MRRS Decision .....	5354		
<b>HSBC Canada Asset Trust</b>			
MRRS Decision .....	5354		
<b>Huxley, John M.H.</b>			
Order - ss. 127(1) (2), 144.....	5367		

---

---



---

<b>Intelpro Media Group Inc.</b>		
Order - s. 144 .....	5362	
Issuer CTO Revoked .....	5376	
<b>Ivany, John W.</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Johansson, Lars-Eric</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Kaczmarek, Andrew F.</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Keyes, John A.</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Kinross Gold Corporation</b>		
Cease Trading Order .....	5375	
<b>Kinross Gold Corporation</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Launch Resources Inc.</b>		
Cease Trading Order .....	5375	
<b>Lucid Entertainment Inc.</b>		
Cease Trading Order .....	5375	
<b>Mamma.Com Inc.</b>		
Cease Trading Order .....	5375	
<b>McPhail, Anthony</b>		
SRO Notices and Disciplinary Proceedings .....	5505	
<b>Multilateral Instrument 52-110 Audit Committees and Companion Policy 52-110CP</b>		
Notice .....	5335	
Rules and Policies .....	5387	
<b>Michals, George F.</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Mingay, Cameron A.</b>		
Order - ss. 127(1) (2), 144 .....	5367	
<b>Mustang Resources Inc.</b>		
MRRS Decision.....	5344	
<b>Navitrak International Corporation</b>		
Cease Trading Order .....	5375	
<b>Nexus Group International Inc.</b>		
Cease Trading Order .....	5375	
<b>National Instrument 58-101 Disclosure of Corporate Governance Practices</b>		
Notice .....	5335	
Rules and Policies .....	5377	
<b>Nortel Networks Corporation</b>		
Cease Trading Order .....	5375	
<b>Nortel Networks Limited</b>		
Cease Trading Order.....	5375	
<b>Northwest Asset Management, Inc.</b>		
Order - s. 4.1 of OSC Rule 31-502 .....	5364	
<b>National Policy 58-201 Corporate Governance Guidelines</b>		
Notice .....	5335	
Rules and Policies.....	5383	
<b>Oliver, John E.</b>		
Order - ss. 127(1) (2), 144.....	5367	
<b>OSC Notice 11-753 - Statement of Priorities for the Financial Year to End March 31, 2006</b>		
Notice .....	5317	
<b>Reid, Terence C.W.</b>		
Order - ss. 127(1) (2), 144.....	5367	
<b>Resolute Funds Limited</b>		
Approval - s. 213(3(b) of the LTCA.....	5507	
<b>Riley, Shelley M.</b>		
Order - ss. 127(1) (2), 144.....	5367	
<b>Rock Energy Inc.</b>		
MRRS Decision .....	5337	
<b>Rockyview Energy Inc.</b>		
MRRS Decision .....	5349	
<b>SAM Sustainable Asset Management AG</b>		
New Registration .....	5503	
<b>Sargold Resources Corporation</b>		
Cease Trading Order.....	5375	
<b>Schoening, Allan D.</b>		
Order - ss. 127(1) (2), 144.....	5367	
<b>Secretary to the Commission</b>		
Order - ss. 3.5(3) and 7(3).....	5363	
<b>Stewart, Ronald W.</b>		
Order - ss. 127(1) (2), 144.....	5367	
<b>Sun Life Assurance Company of Canada</b>		
Order - OSC Rule 13-502 Fees.....	5368	
<b>Sun Life Financial Inc.</b>		
Order - OSC Rule 13-502 Fees.....	5368	
<b>The Streetwear Corporation</b>		
Cease Trading Order.....	5375	
<b>Thistle Mining Inc.</b>		
Cease Trading Order.....	5375	

---

Index

---

---

**Thunder Energy Inc.**

MRRS Decision..... 5344

**Tradition Asiel Securities Inc.**

s. 6.1(1) of MI 31-102 National Registration Database  
and s. 6.1 of OSC Rule 13-502 Fees..... 5357

**VECTOR Energy Fund**

MRRS Decision..... 5358

This page intentionally left blank