The Ontario Securities Commission

OSC Bulletin

January 13, 2006

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

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Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JANUARY 13, 2006

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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20 Queen Street West
Toronto, Ontario
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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

January 17, 2006 10:00 a.m.	**Portus Alternative Asset Management Inc., Portus Asset Management Inc. Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg** s.127 & 127.1 M. MacKewn in attendance for Staff Panel: TBA
January 19, 2006 10:00 a.m.	**Andrew Stuart Netherwood Rankin** S. 127 G. MacKenzie in attendance for Staff Panel: TBA
January 31, 2006 10:00 a.m.	**Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** S. 127 T. Hodgson in attendance for Staff Panel: TBA
January 31, 2006 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 J. Cotte in attendance for Staff Panel: TBA

February 6 to March 10, 2006 (except Tuesdays) April 10, 2006 to April 28, 2006 (except Tuesdays and not Good Friday April 14) May 1 to May 19; May 24 to May 26, 2006 (except Tuesdays) June 12 to June 30, 2006 (except Tuesdays) 10:00 a.m.	**Philip Services Corp., Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey, Colin Soule*, Robert Waxman and John Woodcroft** s. 127 K. Manarin in attendance for Staff Panel: PMM/RWD/DLK * Settled November 25, 2005
February 21, 2006 2:30 p.m.	**Fulcrum Financial Group Inc., Secured Life Ventures Inc., Zephyr Alternative Power Inc., Troy Van Dyk and William L. Rogers** s. 127 and 127.1 G. Mackenzie in attendance for Staff Panel: TBA
February 27, 2006 10:00 a.m.	**Jose L. Castaneda** s.127 T. Hodgson in attendance for Staff Panel: TBA
March 1 and 2, 2006 10:00 a.m.	**Richard Ochnik and 1464210 Ontario Inc.** s. 127 and 127.1 M. Britton in attendance for Staff Panel: TBA
March 2 & 3, 2006 10:00 a.m.	**Christopher Freeman** s. 127 and 127.1 P. Foy in attendance for Staff Panel: TBA
March 7, 2006 2:30 p.m.	**Olympus United Group Inc.** s.127 M. MacKewn in attendance for Staff Panel: TBA
March 7, 2006 2:30 p.m.	**Norshield Asset Management (Canada) Ltd.** s.127 M. MacKewn in attendance for Staff Panel: TBA
April 3, 5 to 7, 2006 10:00 a.m.	**Momentas Corporation, Howard Rash, Alexander Funt, Suzanne Morrison and Malcolm Rogers** s. 127 and 127.1
April 4, 2006 2:30 p.m.	P. Foy in attendance for Staff Panel: TBA
October 16, 2006 to November 10, 2006 10:00 a.m.	**James Patrick Boyle, Lawrence Melnick and John Michael Malone** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig** s. 127 J. Waechter in attendance for Staff Panel: TBA

TBA **John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir**

S. 127 & 127.1

K. Manarin in attendance for Staff

Panel: TBA

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

s.127

J. Superina in attendance for Staff

Panel: SWJ/RWD/MTM

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

s.127

J. Waechter in attendance for Staff

Panel: RLS/ST/DLK

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

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

1.1.2 Notice of Commission Approval – Housekeeping Amendments to IDA Regulation 100.8 – Commodity Futures Contracts and Futures Contract Options

THE INVESTMENT DEALERS ASSOCIATION (IDA)

HOUSEKEEPING AMENDMENTS TO IDA REGULATION 100.8 – COMMODITY FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved housekeeping amendments to IDA Regulation 100.8 – *Commodity futures contracts and futures contract options.* The amendments repeal redundant sections while retaining the general capital and margin requirements for commodity futures and futures options positions. In addition, the Alberta Securities Commission and the Autorité des marchés financiers approved, and the British Columbia Securities Commission did not object to the amendments. The amendments are housekeeping in nature. The description and a copy of the amendments are contained in Chapter 13 of this Ontario Securities Commission Bulletin.

1.1.3 OSC Request for Comment 15-901– Proposed Procedures For Opportunities To Be Heard Before Director's Decisions On Registration Matters

REQUEST FOR COMMENT
PROPOSED PROCEDURES
FOR OPPORTUNITIES TO BE HEARD BEFORE
DIRECTOR'S DECISIONS ON
REGISTRATION MATTERS
made under the *Statutory Powers Procedure Act*

Staff of the Ontario Securities Commission is publishing in today's Bulletin a request for comment on proposed procedures for the exercise of opportunities to be heard before the Director that are held at the request of an individual or firm that would be affected by a Director's decision denying or restricting registration as contemplated by subsection 26(3) of the *Securities Act*.

1.1.4 CDS Notice of Commission Approval – Material Amendments to CDS Rules Relating to Eligibility Criteria for CAD RCP

THE CANADIAN DEPOSITORY
FOR SECURITIES LIMITED

MATERIAL AMENDMENTS TO CDS RULES
ELIGIBILITY CRITERIA FOR CAD RCP

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved on December 20, 2005, the amendments filed by The Canadian Depository for Securities Limited (CDS) relating to eligibility criteria for CAD RCP. The amendments describe: (1) the eligibility requirements for Receivers of Credit which want to become a member of the Canadian Dollar (CAD) Category Credit Ring (as this terms is defined in the CDS Participant Rules); and (2) require a Member of the CAD Category Credit Ring for RCP Receivers to not increase its Systems-Operating Cap and increase the amount of its Collateral Pool Contribution by a special margin collateral Contribution where an early warning event designated by the Investment Dealers Association (IDA) has occurred. A copy and description of these amendments was published on October 21, 2005 at (2005) 28 OSCB 8794. No comments were received.

1.1.5 CDS Notice of Commission Approval – Material Amendments to CDS Rules Relating to Entitlement Payments

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

MATERIAL AMENDMENTS TO CDS RULES ENTITLEMENT PAYMENTS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved on December 13, 2005, the amendments filed by The Canadian Depository for Securities Limited (CDS) relating to entitlement payments processing. The amendments reflect agreements with financial institutions to process their own "on us" cheques for entitlement payments flowing through CDS. A copy and description of these amendments was published on October 21, 2005 at (2005) 28 OSCB 8802. No comments were received.

1.1.6 CDS Notice of Commission Approval – Material Amendments to CDS Rules Relating to Qualifications for Participation – Foreign Institutions

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

MATERIAL AMENDMENTS TO CDS RULES QUALIFICATIONS FOR PARTICIPATION – FOREIGN INSTITUTIONS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved on December 13, 2005, the amendments filed by The Canadian Depository for Securities Limited (CDS) relating to qualifications for participation – foreign institutions. The amendments remove the requirement that a participant which is a Foreign Institutions provide CDS with a guarantee or irrevocable letter of credit in form, substance and amount satisfactory to CDS from another Participant of CDS which is a Regulated Financial Institution. A copy and description of these amendments was published on October 21, 2005 at (2005) 28 OSCB 8811. No comments were received.

1.1.7 CDS Notice of Commission Approval – Technical Amendments to CDS Free Payments Funds Transfer Rule

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED ("CDS")

TECHNICAL AMENDMENTS TO CDS FREE PAYMENTS FUNDS TRANSFER RULE

NOTICE OF COMMISSION APPROVAL

The amendments filed by CDS concern a clarification regarding the making of Free Payments through CDSX. These amendments are technical/housekeeping in nature. Pursuant to the Rule Protocol between the Ontario Securities Commission and CDS dated July 12, 2005, these amendments came into effect on January 3, 2006. The description of the amendments is contained in Chapter 13 of this Ontario Securities Commission Bulletin.

1.1.8 Amended Statement of Allegations of OSC Staff in the Matter of Jose L. Casteneda

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

AND

IN THE MATTER OF JOSE L. CASTANEDA

AMENDED STATEMENT OF ALLEGATIONS OF STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission make the following allegations:

Background

1. Jose L. Castaneda ("Castaneda") is an individual residing in Ontario and is not currently registered with the Ontario Securities Commission ("Commission") in any capacity. Previously, Castaneda had been registered with the Commission to trade under section 26 of the *Securities Act* ("Act") as a registered salesperson for scholarships only.

Prior Cease Trade Order and Settlement Agreement

2. For the approximate two-year period between September 1996 - September 1998, Castaneda was employed as a trader for *Koman Investment Inc.* During this time, Castaneda acted as an Account Executive for several clients, purchasing and selling speculative foreign exchange contracts with full discretionary authority.

3. Castaneda was never registered with the Commission to trade in these types of securities and several of his clients suffered significant trading losses.

4. As a result of a Staff investigation into Castaneda's unregistered trades, Castaneda was subject to a section 127 cease trade order that commenced on September 10, 1998.

5. By way of Settlement Agreement dated May 31, 2000 (approved by the Commission on June 7, 2000), Castaneda acknowledged that he had traded without the appropriate registration and without an exemption from the registration requirements, contrary to section 25 of the Act and contrary to the public interest. Castaneda was reprimanded by the Commission, prohibited from trading in any securities pursuant to clause 2 of subsection 127(1) of the Act for a period of five years, and agreed not to apply for registration in any capacity under the Act for a period of fifteen years.

Violation of Prior Cease Trade Order

6. Despite being subject to a cease trade order, it is alleged that between 1999 and 2003 Castaneda continued to participate in the same type of unauthorized trading activity that was the subject of the June 7,2000 Settlement Agreement with the Commission. During this time period, Castaneda entered into joint venture profit-sharing agreements with numerous individuals which authorized Castaneda to engage in "speculative short term trading of currency forward or spot contract" at his absolute discretion. Castaneda improperly traded in both foreign currencies and commodity futures for his clients.

7. Castaneda did not inform any of these individuals that the Commission had issued a cease trade order against him or that he had entered into a Settlement Agreement with the Commission for acting contrary to the public interest.

(i) Joint Venture Agreement with Tomas Go Tan

8. In early 1999, Castaneda was introduced to Tomas Go Tan ("Tan"). Castaneda informed Tan that he was in the business of buying and selling foreign currencies on currency exchanges. Tan entered into a joint venture profit-sharing agreement with Castaneda that provided that any profits made from Castaneda's trading activities would be divided between the two of them. Between 1999 and 2002, Tan invested $5,000 (U.S.) with Castaneda pursuant to the profit-sharing agreement.

9. Tan still had his money invested with Castaneda when he learned sometime in 2003 that Castaneda had lost "all the money" and that his capital investment would not be returned to him. Tan believes, however, that during the previous three years he had received an amount of money approximately equal to his capital investment through annual interest or profit payments made to him by Castaneda.

10. Tan introduced Castaneda to other individuals who invested money with him, including John Madonia.

(ii) Joint Venture Agreement with John Madonia

11. Sometime in the Fall of 1999, Castaneda met John Madonia ("John") at John's office. Castaneda informed John that he was engaged in the business of foreign currency trading. Castaneda explained to John that any monies invested with him would be pooled with other investors in an investment fund or "club" for trading purposes.

12. Shortly after their initial meeting, John entered into a joint venture profit-sharing agreement with Castaneda and began investing money with him. Over a period of roughly 18 months, John invested approximately $200,000 (Canadian) with Castaneda. In early 2001, Castaneda returned the entirety of his funds plus profits (ostensibly made through trading) at John's request.

(iii) Joint Venture Agreement with Steven Muchnik

13. Steven Muchnik ("Muchnik") was introduced to Castaneda in September of 1999 by John Madonia. Castaneda and Muchnik entered into a joint venture profit-sharing agreement, dated September 29, 1999. Castaneda told Muchnik that any monies he invested would be pooled with other investors for short term trading of foreign currencies and spot contracts.

14. Between September, 1999 and April, 2000, Muchnik invested approximately $115,000 (U.S.) in the joint venture agreement with Castaneda. In April, 2003, Castaneda informed Muchnik that he had taken a wrong position and got "wiped out". Although Muchnik had received some return on his investment, Muchnik still had approximately $11,000 (U.S.) invested with Castaneda which was never recovered.

(iv) Joint Venture Agreement with Paul and Clara Madonia

15. Castaneda entered into a joint venture profit-sharing agreement with Paul and Clara Madonia ("Paul and Clara") on February 11, 2000. As with all other joint venture agreements, the stated investment objective of the agreement was to make "substantial gains in the long term through speculative 'short term' trading of currency forward or spot contract". The joint venture agreement granted Castaneda full discretionary authority over any funds provided.

16. Prior to entering the Agreement, Castaneda told Paul and Clara that he was doing a lot of foreign trading for numerous investors.

17. Between February 11, 2000 and July 2, 2002, Paul and Clara gave Castaneda $900,000 in Canadian funds to invest pursuant to the joint venture agreement. During this time period, Castaneda actively traded in foreign currencies and commodity futures over the internet, primarily through the services of *Peregrine Financial Group*.

18. Although he never provided them with any account statements, Castaneda consistently informed Paul and Clara that he was making money for them through currency trading and was reinvesting their profits. By March of 2003, Castaneda reported to Paul and Clara that their initial investment had grown to 1.4 million dollars (U.S.).

19. In actual fact, Castaneda had lost a substantial portion of Paul and Clara's money while trading. At least $325,000 Canadian was lost through trades. Further, a significant portion of the money received by Castaneda from Paul and Clara was never invested at all but instead directly converted by Castaneda for his own personal use.

20. When the Paul and Clara asked for their money back in the summer of 2003 Castaneda informed them that all of their money was gone. Paul and Clara lost the entire $900,000 (Canadian) invested with Castaneda.

(v) Joint Venture Agreement with Andrew Madonia

21. Andrew Madonia ("Andrew") was introduced to Castaneda through his brother, John Madonia. Andrew met with Castaneda in November, 2000. At that meeting, Castaneda represented to Andrew that he managed an investment group involved in currency trading. Andrew entered into a joint venture profit-sharing agreement with Castaneda. Andrew Madonia gave Castaneda $50,000 (Canadian) for trading purposes, pursuant to the profit-sharing agreement.

22. In May, 2003, Castaneda informed Andrew Madonia that all of his money had been lost in trading on the spot currency market and that he would not receive any return on his investment. Andrew lost the entire $50,000 (Canadian) invested with Castaneda.

Conduct Contrary to Public Interest

23. By engaging in the conduct described above, Castaneda acted in a manner contrary to the public interest.

24. Staff reserve the right to make such other allegations as it may advice and the Commission may permit.

DATED AT TORONTO this 19th day of December, 2005.

1.1.9 CSA Staff Notice 52-312 Audit Committee Compliance Review

CSA STAFF NOTICE 52-312
AUDIT COMMITTEE COMPLIANCE REVIEW

As announced on May 6, 2005, staff of the securities regulatory authorities in Alberta, Saskatchewan, Manitoba, Ontario and Québec conducted a review of compliance with the provisions of Multilateral Instrument 52-110 *Audit Committees* (the Instrument). This notice outlines the results of our review.

The Instrument

The Instrument came into force on March 30, 2004 in every jurisdiction in Canada except British Columbia and Québec. In Québec, it came into force on June 30, 2005. With limited exceptions, the Instrument applies to all reporting issuers. Issuers subject to the Instrument were required to comply with its requirements beginning on the earlier of: (i) the issuer's first annual meeting after July 1, 2004, and (ii) July 1, 2005.

The Instrument prescribes four broad sets of requirements:

- an issuer must have an audit committee that complies with the Instrument;
- all members of the audit committee must be independent and financially literate (venture issuers are exempt from these requirements);
- an audit committee must have a written charter that includes prescribed responsibilities; and
- an issuer must include certain disclosure in its AIF, management information circular or MD&A.

The Review Program

A sample of 95 issuers was selected from across the country. The selection criteria included the issuer's head office location, its industry sector, and its listing status. The sample included 40 issuers listed on the TSX on an exempt basis (exempt TSX issuers); 23 issuers listed on the TSX on a non-exempt basis (non-exempt TSX issuers) [1]; and 30 issuers listed on the TSX Venture Exchange and 2 other issuers which did not have securities listed or quoted on any of these markets (collectively, venture issuers).

The review focused on each issuer's compliance with the Instrument's requirements regarding audit committee composition and responsibilities. Each issuer was requested to provide us with a copy of its audit committee charter together with the following information:

- for each member of the audit committee, all direct or indirect relationships that the member had with the issuer and the basis upon which the member was determined to be independent or non-independent;
- for each member of the audit committee, the basis upon which the member was determined to be financially literate; and
- any exemptions that were being relied upon in connection with audit committee member independence or financial literacy.

Results

The statistical results of the compliance review are included in Appendix A.

All section references are to the Instrument as it read prior to amendments that came into force on June 30, 2005.

Audit Committee Responsibilities

Overall, 64% of the audit committee charters reviewed set out all of the responsibilities prescribed by the Instrument. This included 68% of exempt TSX issuers, 57% of non-exempt TSX issuers, and 66% of venture issuers. In our view, a 64% overall

[1] An exempt issuer is an issuer that is at a more advanced development stage based on factors such as higher levels of profitability, cash flow, net tangible assets and market capitalization as outlined in the TSX original listing requirements for exempt issuers. As a result, exempt issuers are entitled to reduced filing requirements in some circumstances. Non-exempt issuers are subject to additional TSX oversight, as provided in Part 5 of the TSX Company Manual, for any proposed material change in their business or affairs.

compliance level is inadequate. It appears that many issuers were either unaware of the provisions of the Instrument or were at least unaware of its transition provisions.

While the non-compliance was broadly dispersed across all responsibilities, the responsibilities that were most commonly excluded from non-compliant charters were the responsibility to establish procedures for the handling of complaints and employee concerns regarding accounting or auditing matters (s. 2.3(7)) (17 instances of non-compliance) and the responsibility to review and approve the issuer's hiring policies for partners and employees of the issuer's current and former auditors (s. 2.3(8)) (20 instances of non-compliance).

Three other responsibilities were commonly excluded from the audit committee charters of non-exempt TSX issuers. The charters of 5 issuers did not include the requirement to directly oversee the work of the external auditor (s. 2.3(3)); the charters of 6 issuers did not include the requirement to review the issuer's financial statements, MD&A and annual and interim earnings press releases prior to their release (s. 2.3(5)); and the charters of 6 issuers did not include the requirement that the audit committee satisfy itself as to the adequacy of review procedures for other financial information (s. 2.3(6)). Additionally, 4 venture issuers did not have an audit committee charter.

In several instances, issuers asserted that their audit committee charter complied with the Instrument because certain responsibilities not specifically enumerated were implied by the language in the audit committee's charter. In other instances, the audit committee was provided with discretion in its charter as to whether or not to assume certain of the responsibilities outlined therein.

In our view, neither position is justifiable. In order to satisfy the provisions of the Instrument, the prescribed responsibilities must be directly and clearly set out in the audit committee's charter. Further, the audit committee must not be provided with discretion as to whether or not to assume certain of the responsibilities.

Where we identified non-compliance during the course of a review, the audit committee charter was generally amended prior to the completion of the review. In several instances, however, an undertaking was filed by the issuer to amend the charter within a specified period of time prior to the date of the issuer's next annual meeting.

Audit Committee Member Independence

92% of TSX issuers had audit committees comprised solely of independent directors.

All 5 TSX issuers that did not have fully independent audit committees had only one member who was not independent. The basis for the determination of non-independence in each instance was that the individual received, directly or indirectly, a consulting, advisory or compensatory fee from the issuer which is a deemed material relationship under s. 1.4(3)(f)(i). In this regard, there appeared to be confusion as to the interpretation and application of s. 1.4(7)(b). That section deems an individual to be in receipt of indirect compensation if they are a partner of a law, accounting or consulting firm that receives fees from the issuer.

In 3 instances of non-compliance by TSX issuers, the individual was the issuer's counsel or was a partner in a law firm that received fees from the issuer. The individual in one instance provided accounting services to the issuer. In the remaining instance, the individual's consulting firm received fees from the issuer. In one of these instances, the issuer responded that its board had determined that a director contravened s. 1.4(3)(f)(i) but was nonetheless independent. It should be noted that s. 1.4(3) does not provide a board with this discretion.

In 4 instances where we determined that a member of the audit committee of a TSX issuer was not independent, the member was replaced by an independent director prior to the completion of the review. In one instance, however, an undertaking was filed by the issuer to replace the member within a specified period of time prior to the date of the issuer's next annual meeting.

Interestingly, notwithstanding that venture issuers are not required to comply with the audit committee independence requirements of the Instrument on the basis of the exemption included in Part 6, 31% of venture issuers had audit committees comprised solely of independent directors.

Of the 22 venture issuers that did not have fully independent audit committees, 13 had one member who was not independent while 9 had two members who were not independent.

In 18 instances where a member of the audit committee of a venture issuer was determined not to be independent, the member was an employee or executive officer of the issuer which is a deemed material relationship under s. 1.4(3)(a). In 15 of those instances, the individual was the CEO of the issuer. In one instance, a member was determined not to be independent as the individual was an immediate family member of an executive officer which is a deemed material relationship under s. 1.4(3)(b). The basis for the determination of non-independence in 9 instances was that the individual received, directly or indirectly, a consulting, advisory or compensatory fee which is a deemed material relationship under s. 1.4(3)(f)(i). In 3 of these instances,

the individual was the issuer's counsel or was a partner in a law firm that received fees from the issuer; in one instance, the individual was a partner of an accounting firm that received fees from the issuer; and in 5 instances, the individual received fees from the issuer for providing consulting or investment banking services.

Audit Committee Member Financial Literacy

We did not find any instances where an issuer determined that an audit committee member was not financially literate. This finding is particularly noteworthy for venture issuers as they are not required to comply with the audit committee financial literacy requirements of the Instrument on the basis of the exemption included in Part 6.

We note that, in several instances, the assertion by an issuer of the financial literacy of an audit committee member was the subject of further scrutiny in our review. In several instances it appears that, although an audit committee member was ultimately determined to be financially literate, the matter had not been carefully considered by the issuer prior to our enquiry. The financial literacy of each director should be carefully assessed prior to that individual's appointment to the audit committee. The assessment should generally be supportable on the basis of the individual's relevant education and/or experience.

Future Reviews

In our view, the level of compliance by issuers with the provisions of the Instrument was unacceptable. We were particularly concerned to learn that even the largest issuers, exempt TSX issuers, were not fully compliant.

We expect issuers to fully comply with the Instrument.

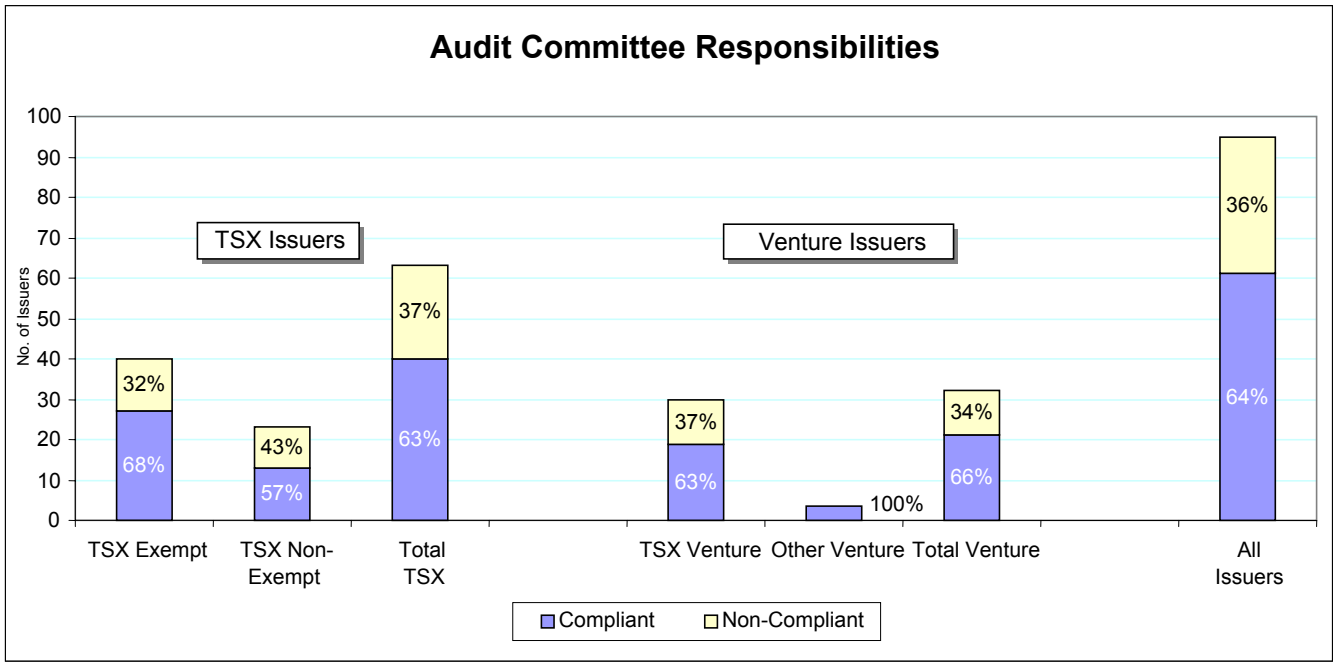
We intend to conduct additional reviews of compliance by issuers with the Instrument in the near future. We will actively follow up on deficiencies identified in those reviews and will pursue appropriate remedies where we deem it appropriate.

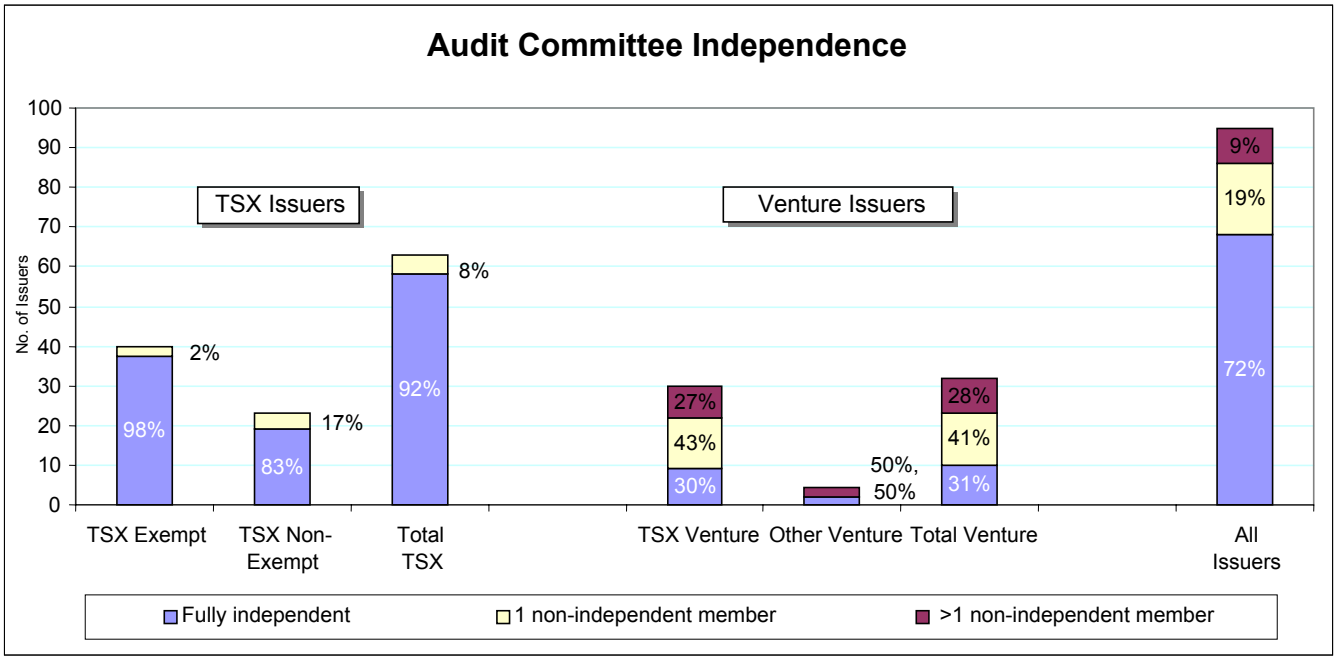
Date: January 13, 2006

Appendix A

Audit Committee Compliance Review

Summary of Compliance





1.1.10 CSA Revised Staff Notice 13-315 Securities Regulatory Authority Closed Dates 2006

CANADIAN SECURITIES ADMINISTRATORS' REVISED STAFF NOTICE 13-315
SECURITIES REGULATORY AUTHORITY CLOSED DATES 2006*

We have a mutual reliance review system (MRRS) for prospectuses (including long form, short form and mutual fund prospectuses), prospectus amendments, waiver applications and pre-filings. It is described in National Policy 43-201 *Mutual Reliance Review System for Prospectuses*.

The principal regulator will only issue a MRRS decision document evidencing the receipt of non-principal regulators that are open on the date of the MRRS decision document. The principal regulator will issue a MRRS decision document evidencing the receipt of the remaining non-principal regulators on the next day that they are open. These procedures are described in section 7.8 of the Policy.

A dealer may only solicit expressions of interest in a non-principal jurisdiction after a receipt has been issued by that jurisdiction. In addition, an issuer may only distribute its securities in the non-principal jurisdiction at that time.

The following is a list of the closed dates of the securities regulatory authorities for 2006. These dates should be noted by issuers in structuring their affairs.

1. Saturdays and Sundays (all)
2. Monday January 2, 2006 (all)
3. Tuesday January 3 (QC)
4. Friday February 24 (YT)
5. Monday March 20 (NL)
6. Friday April 14 (all)
7. Monday April 17 (all except AB, SK, ON, NL)
8. Monday April 24 (NL)
9. Monday May 22 (all)
10. Wednesday June 21 (NT)
11. Friday June 23 (QC)
12. Monday June 26 (NL)
13. Friday June 30 (SK, QC)
14. Monday July 3 (all except QC)
15. Monday July 10 (NL, NU)
16. Wednesday August 2 (NL**)
17. Monday August 7 (all except QC, NL, PE, YT)
18. Friday August 18 (PE)
19. Monday August 21 (YT)
20. Monday September 4 (all)
21. Monday October 9 (all)
22. Friday November 10 (SK)
23. Monday November 13 (all except AB, SK, ON, QC)
24. Friday December 22 (QC)
25. Friday December 22 after 12:00 p.m. (NS, PE, NB); after 1:00 p.m. (BC)
26. Monday December 25 (all)
27. Tuesday December 26 (all)
28. Friday December 29 (QC); after 1:00 p.m. (BC)
29. Monday January 1, **2007** (all)
30. Tuesday January 2 (QC)

* Bracketed information indicates those jurisdictions that are closed on the particular date.
** Weather permitting, otherwise observed on first following acceptable weather day, such determination made on morning of holiday.

1.3 News Releases

1.3.1 Second Appearance in Insider Trading/Tipping Proceedings against Barry Landen and Stephen Diamond

FOR IMMEDIATE RELEASE
January 10, 2006

SECOND APPEARANCE IN
INSIDER TRADING/TIPPING PROCEEDINGS
AGAINST BARRY LANDEN AND
STEPHEN DIAMOND

Toronto – At an appearance today at Old City Hall, the Court was advised that a judicial pre-trial has been scheduled for January 20, 2006 when counsel for Barry Landen, Stephen Diamond and OSC Staff will attend before a Provincial Court Judge. The judicial pre-trial is not open to the public. The matter will thereafter be spoken to next on January 31, 2006 at 9:00 a.m. in Courtroom "C" at Old City Hall.

The charges against Mr. Landen and Mr. Diamond (Appendix "A" to the Information) are available on the OSC's website (**www.osc.gov.on.ca**).

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

Eric Pelletier
Manager, Media Relations
416-595-8913

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

1.4 Notices from the Office of the Secretary

1.4.1 Jack Banks a.k.a Jacques Benquesus

FOR IMMEDIATE RELEASE
January 11, 2006

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

AND

IN THE MATTER OF
JACK BANKS
A.K.A. JACQUES BENQUESUS

TORONTO – Following a hearing on the merits held on January 8 - 9, and February 14, 2003, with respect to the allegations involving Banks, the Commission issued its Reasons for Decision on April 23, 2003. In its Reasons for Decision, the Commission found that Banks' conduct was contrary to the public interest, that Banks knowingly permitted share certificates of Laser Friendly Inc. to be delivered in circumstances where they knew or ought to have known that the certificates could and would be used to deceive third parties. In its Order dated April 23, 2003, the Commission found that it was in the public interest that:

(1) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of the order;

(2) pursuant to clause 6 of subsection 127(1) of the Act, Banks be reprimanded;

(3) pursuant to clause 7 of subsection 127(1) of the Act, Banks resign all positions that he holds as a director or officer of any issuer; and

(4) pursuant to clause 8 of subsection 127(1) of the Act, Banks be prohibited permanently from the date of the order from becoming or acting as a director or officer of any issuer.

Banks appealed the decision of the Commission.

On November 21, 2005, the Divisional Court dismissed Banks' appeal as to the merits but allowed the appeal with respect to sanctions. The sanctions were set aside and the matter was referred back to the Commission for a new hearing on sanctions.

Following the Court's decision, Banks agreed to the sanctions set out in the Order dated April 23, 2003. Accordingly, on January 10, 2006, the Commission issued an Order against Banks, on consent, which imposes sanctions similar to those originally set out in an Order of the Commission dated April 23, 2003.

A copy of the Order is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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

1.4.2 Michael Anthony Tibollo a.k.a. Michelle Antonio Tibollo

FOR IMMEDIATE RELEASE
January 11, 2006

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

AND

IN THE MATTER OF
MICHAEL ANTHONY TIBOLLO A.K.A.
MICHELE-ANTONIO TIBOLLO

TORONTO – Following a hearing held on August 29, 31, September 1, 2, 9, 12-14 and 16, 2005, the Ontario Securities Commission issued its Decision and Reasons today in the above matter. The Commission dismissed all the allegations against Michael Anthony Tibollo which were set out in the Amended Statement of Allegations dated August 26, 2005.

A copy of the Decision and Reasons is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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

1.4.3 Jose L. Castaneda

FOR IMMEDIATE RELEASE
January 11, 2006

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

AND

IN THE MATTER OF
JOSE L. CASTANEDA

TORONTO – The Commission issued an Order today adjourning the hearing to February 27, 2006, at 10:00 a.m. in the above named matter.

A copy of the Order is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Frank Russell Company - MRRS Decision

Headnote

MRRS decision in Ontario and Manitoba for relief from the adviser registration requirements of the commodity futures legislation of both provinces in respect of advising certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside of Canada in respect of trades in commodity futures contracts and commodity futures options traded on commodity futures exchanges primarily outside of Canada and cleared through clearing corporations primarily outside of Canada, subject to certain terms and conditions.

Statutes Cited:

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 22(1)(b), 80.
Securities Act, R.S.O. 1990, c. S.5, as am. – Rule 35-502 – Non Resident Advisers.

December 22, 2005

IN THE MATTER OF
THE COMMODITY FUTURES LEGISLATION
OF ONTARIO AND MANITOBA (the Jurisdictions)

AND

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

AND

IN THE MATTER OF
FRANK RUSSELL COMPANY (the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the commodity futures legislation of the Jurisdictions (the **Legislation**) for an exemption from the following requirements in the Legislation:

(a) that the requirement to be registered as an adviser (the **Registration Requirement**) not apply to the Filer and its directors, officers and employees who provide portfolio management services to the clients of its subsidiary, Frank Russell Canada Limited (**FRCL**) resident in the Jurisdictions (the **Clients**) regarding trades in commodity futures contracts and related products traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada, subject to certain terms and conditions; and

(b) except in Manitoba, that the requirement to be registered as an adviser (the **Fund Adviser Registration Requirement**) in respect of advising certain mutual funds created outside of Ontario (the **Funds**) not apply to the Filer and its directors, officers and employees regarding trades in commodity futures contracts and commodity futures options traded on commodity futures exchanges primarily outside of Canada and cleared through clearing corporations primarily outside of Canada, subject to certain terms and conditions.

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

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation organized under the laws of the State of Washington, United States, with its principal place of business located in Tacoma, Washington. The Filer is registered with the U.S. Securities and Exchange Commission (the **SEC**) as an investment adviser, and with the U.S. Commodity Futures Trading Commission (the **CFTC**) as a commodity trading adviser. The Filer is currently registered with the Ontario Securities Commission (the **OSC**) as a non-resident commodity trading manager but will not be seeking renewal of such registration at the end of this calendar year.

2. The Filer is the direct parent corporation of FRCL.

3. FRCL is a corporation incorporated under the laws of Canada with its head office located in Toronto, Ontario.

4. FRCL is registered under the *Securities Act* (Ontario) (the **OSA**) as an adviser in the categories of investment counsel and portfolio manager and as a dealer in the categories of mutual fund dealer and limited market dealer, and is registered as a commodity trading manager under the *Commodity Futures Act* (Ontario) (the **OntCFA**). FRCL is also registered as a portfolio manager under the *Securities Act* (Manitoba) and as an adviser and commodity trading manager under the *Commodity Futures Act* (Manitoba).

5. FRCL acts as an adviser to the Clients and may advise Clients to invest in futures and options on futures traded on exchanges outside of Canada and in other derivative instruments traded over-the-counter (the **Proposed Advisory Services**).

6. FRCL wishes to retain the Filer as a sub-adviser to provide advice to FRCL in connection with accounts managed by FRCL for Clients in respect of the Proposed Advisory Services.

7. The discretionary investment accounts for which the Filer will be retained will be accounts for high net worth individuals or institutional clients.

8. In performing the Proposed Advisory Services, the Filer and FRCL would comply with the requirements of Section 7.3 of OSC Rule 35-502 and accordingly:

   (a) the obligations and duties of the Filer will be set out in a written agreement with FRCL;

   (b) FRCL will contractually agree with its Clients on whose behalf investment advice is or portfolio management services are to be provided by the Filer, to be responsible for any loss that arises out of the failure of the Filer:

      (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of FRCL and each Client of FRCL for whose benefit the advice is or portfolio management services are to be provided, or

      (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; and

   (c) FRCL cannot be relieved by its Clients from its responsibility for loss under paragraph (b) above.

9. FRCL will be responsible for providing all Client reports and statements required under the Legislation. All direct contact with Clients will be from FRCL and its directors, officers or employees although representatives of the Filer may participate in such communications from time to time.

10. The Filer, in providing the Proposed Advisory Services to FRCL and indirectly to Clients of FRCL, may be considered to be acting as an adviser under the Legislation and, in the absence of the requested relief, would be subject to the Registration Requirement.

11. The Filer cannot rely on any adviser registration exemptions in the Legislation to provide the Proposed Advisory Services to the Clients.

12. The Filer also acts as an investment adviser in respect of other investment funds: Russell Alternative Strategies Fund II plc and Frank Russell Alternative Investment Funds plc – The Alternative Strategies Fund (collectively, the **Funds**) and other similar non-Canadian investment funds managed by the Filer in the future.

13. The Funds may from time to time invest in commodity futures contracts and commodity futures options traded on organized exchanges primarily outside of Canada and cleared through clearing corporations primarily outside of Canada.

14. The Filer, as investment manager of the Fund, will make all decisions with respect to the overall management of the Funds.

15. By advising the Funds directly on investing in commodity futures contracts and commodity futures options, the Filer will be providing advice to the Funds with respect to commodity futures contracts and commodity futures options.

16. The Funds are all established outside of Canada. Securities of the Funds are or will be:

   (a) primarily offered outside of Canada;

   (b) only distributed in Ontario through one or more registrants under the OSA; and

   (c) distributed in Ontario in reliance upon an exemption from the prospectus requirements of the OSA.

17. Prospective investors in the Funds who are Ontario residents will receive disclosure that includes:

(a) a statement that there may be difficulty in enforcing any legal rights against the Filer (or its directors, officers and employees) and the Funds (or their directors, officers and employees), because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(b) a statement that the Filer effective January 1, 2006 is not, or will not be, registered with the OSC under the OntCFA and, accordingly, the protections available to clients of a registered adviser under the OntCFA will not be available to purchasers of securities of the Funds.

18. None of the Funds has any intention of becoming a reporting issuer in Ontario or in any other Canadian jurisdiction.

19. The Filer, in advising the Funds, may be considered to be acting as an adviser under the Legislation in Ontario, and in the absence of the requested relief, would be subject to the Fund Adviser Registration Requirement.

20. The Filer cannot rely on any adviser registration exemptions in the Legislation in Ontario to provide advice to the Funds.

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, for a period of three years, the Requested Relief is granted as follows:

(a) the Registration Requirement shall not apply to the Filer with respect to its activities in providing the Proposed Advisory Services for the benefit of FRCL and FRCL's Clients; and

(b) except in Manitoba, the Fund Adviser Registration Requirement shall not apply to the Filer, and its directors, officers and employees, with respect to its activities in providing advisory activities in connection with the Funds, provided that at the time such activities are engaged in:

(i) the Filer continues to be registered as an investment adviser with the SEC and registered as a commodity trading adviser with the CFTC or otherwise exempt from such registrations;

(ii) the Funds invest in commodity futures contracts and commodity futures options traded on organized exchanges primarily outside of Canada and cleared through clearing corporations primarily outside of Canada;

(iii) securities of the Funds will be offered primarily outside of Canada and will only be distributed in Ontario through a registrant under the OSA and in reliance upon an exemption from the prospectus requirements of the OSA; and

(iv) prospective investors in the Funds who are Ontario or Manitoba residents will receive disclosure that includes:

(i) a statement that there may be difficulty in enforcing any legal rights against the Filer (or its directors, officers and employees) and or the Funds (or its directors, officers and employees), because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(ii) a statement that the Filer, effective January 1, 2006 is not, or will not be, registered with the OSC under the OntCFA and, accordingly, the protections avail-able to clients of a registered adviser under the OntCFA will not be available to purchasers of securities of the Funds.

"Paul M. Moore"
Commissioner
Ontario Securities Commission

"Susan Wolburgh Jenah"
Commissioner
Ontario Securities Commission

2.1.2 Jones Heward Investment Counsel Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – exemption from subsection 4.1(1) of National Instrument 81-102 Mutual Funds to allow dealer managed mutual fund to invest in securities of an issuer during the period, and 60 days after the period, in which an affiliate of the dealer manager acts or has acted as an underwriter in connection with the distribution of securities of the issuer.

Rules Cited

National Instrument 81-102 Mutual Funds, ss. 4.1(1), 19.1.

December 8, 2005

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

AND

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

AND

IN THE MATTER OF
JONES HEWARD INVESTMENT COUNSEL INC.
(the "Applicant" or "Dealer Manager")

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 Applicant, the portfolio adviser of the BMO Special Equity Fund (the "**Fund**" or "**Dealer Managed Fund**") for a decision under section 19.1 of National Instrument 81-102 *Mutual Funds* ("**NI 81-102**") for:

- an exemption from subsection 4.1(1) of NI 81-102 to enable the Dealer Managed Fund to invest in the common shares (the "Shares") of Canadian Hydro Developers, Inc. (the "Issuer") during the period of distribution for the Offering (as defined below) (the "Distribution") and the 60-day period following the completion of the Distribution (the "60-Day Period") (the Distribution and the 60-Day Period together, the "Prohibition Period") notwithstanding that an associate or affiliate of the Dealer Manager acts or has acted as an underwriter in connection with the offering (the "Offering") of Shares of the Issuer pursuant to a preliminary short form prospectus filed by the Issuer and a final prospectus that the Issuer will file in accordance with the securities legislation of each of the Provinces (the "Requested Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

It is the responsibility of each of the Decision Makers to make a global assessment of the risks involved in granting exemptive relief from subsection 4.1 of NI 81-102 in relation to the specific facts of each application.

Interpretation

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

Representations

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

1. The Dealer Manager is a "dealer manager" with respect to the Dealer Managed Fund, and the Dealer Managed Fund is a "dealer managed fund", as such terms are defined in section 1.1 of NI 81-102.

2. The head office of the Dealer Manager is in Toronto, Ontario.

3. The securities of the Dealer Managed Fund are qualified for distribution in all of the provinces and territories of Canada pursuant to a simplified prospectus that has been prepared and filed in accordance with the applicable securities legislation.

4. A preliminary short form prospectus (the "**Preliminary Prospectus**") of the Issuer dated November 29, 2005 has been filed with the Decision Makers in each of the provinces of Canada for which an MRRS decision document evidencing receipt by the regulators in each of the provinces of Canada was issued on November 29, 2005.

5. According to the Preliminary Prospectus, the gross proceeds of the Offering are expected to be approximately $150 million. In addition, the underwriters will be granted an over-allotment option (the "**Over-Allotment Option**") to purchase up to 15% of the number of Shares issued in the Offering which may be exercised within 30 days following the Closing Date (as defined below). If the Over-Allotment option is exercised in full, the gross proceeds of the Offering are expected to be approximately $172.5 million. According to the Preliminary Prospectus, closing (the "**Closing**") of the Offering is anticipated to occur on December 19, 2005 (the "**Closing Date**") or on such later date as may be agreed by the parties, but in any event not later than December 30, 2005.

6. In addition to the Related Underwriter, the underwriters include Scotia Capital Inc., FirstEnergy Capital Corp., Canaccord Capital Corporation, Dundee Securities Corporation and TD Securities Inc.

7. As disclosed in the Preliminary Prospectus, the Issuer, an Alberta Corporation, is a non-utility developer of green power generation facilities, with operations in the provinces of Alberta, Ontario and British Columbia and is headquartered in Calgary, Alberta.

8. According to the Preliminary Prospectus, the Issuer will use the net proceeds of the offering as funding for the construction of wind turbines in Melancthon Township near Shelburne, Ontario, at Wolfe Island, near Kingston, Ontario, at the Mattagami River, near Timmins, Ontario and for general corporate purposes.

9. Pursuant to an underwriting agreement (the "**Underwriting Agreement**") the Issuer and the underwriters will enter into in respect of the Offering prior to the Issuer filing the final prospectus for the Offering, the Issuer will agree to sell to the underwriters, and the underwriters will agree to purchase, as principals, all of the Shares offered under the Offering.

10. According to the Preliminary Prospectus, the outstanding Shares of the Issuer are currently listed on the Toronto Stock Exchange ("**TSX**") under the symbol "KHD" and the Issuer has applied to the TSX to have the Shares issued in the Offering listed on the TSX, subject to the Issuer fulfilling the listing requirements of the TSX.

11. According to the Preliminary Prospectus, the Issuer is a "connected issuer" of Scotia Capital Inc. and TD Securities Inc., as defined in National Instrument 33-105 – *Underwriting Conflicts* (**"NI 33-105"**). The Preliminary Prospectus does not disclose that the Issuer is a "related issuer" or "connected issuer" of the Related Underwriter.

12. Despite the affiliation between the Dealer Manager and the Related Underwriter, they operate independently of each other. In particular, the investment banking and related dealer activities of the Related Underwriter and the investment portfolio management activities of the Dealer Manager are separated by "ethical" walls. Accordingly, no information flows from one to the other concerning their respective business operations or activities generally, except in the following or similar circumstances:

    (a) in respect of compliance matters (for example, the Dealer Manager and the Related Underwriter may communicate to enable the Dealer Manager to maintain an up to date restricted-issuer list to ensure that the Dealer Manager complies with applicable securities laws); and

    (b) the Dealer Manager and the Related Underwriter may share general market information such as discussion on general economic conditions, bank rates, etc.

13. The Dealer Managed Fund is not required or obligated to purchase any Shares during the Prohibition Period.

14. The Dealer Manager may cause the Dealer Managed Fund to invest in Shares during the Prohibition Period. Any purchase of the Shares will be consistent with the investment objectives of the Dealer Managed Fund and represent the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund or in fact be in the best interests of the Dealer Managed Fund.

15. To the extent that the same portfolio manager or team of portfolio managers of the Dealer Manager manages the Dealer Managed Fund and other client accounts that are managed on a discretionary basis (the "**Managed Accounts**"), the Shares purchased for them will be allocated:

    (a) in accordance with the allocation factors or criteria stated in the written policies or procedures put in place by the Dealer Manager for its Dealer Managed Fund and Managed Accounts, and

    (b) taking into account the amount of cash available to each Dealer Managed Fund for investment.

16. There will be an independent committee (the "**Independent Committee**") appointed in respect of the Dealer Managed Fund to review the Dealer Managed Fund's investments in the Shares during the Prohibition Period.

17. The Independent Committee will have at least three members and every member must be independent. A member of the Independent Committee is not independent if the member has a direct or indirect material relationship with its Dealer Manager, the Dealer Managed Fund, or any affiliate or associate thereof. For the purpose of this Decision, a material relationship means a relationship which could, in the view of a reasonable person, reasonably interfere with the exercise of the member's independent judgment regarding conflicts of interest facing the Dealer Manager.

18. The members of the Independent Committee will exercise their powers and discharge their duties honestly, in good faith, and in the best interests of investors in the Dealer Managed Fund and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

19. The Dealer Manager, in respect of the Dealer Managed Fund, will notify a member of staff in the Investment Funds Branch of the OSC, in writing of the filing of the SEDAR Report (as defined below) on SEDAR, as soon as practicable after the filing of such report, and the notice shall include the SEDAR project number of the SEDAR Report and the date on which it was filed.

20. The Dealer Manager has not been involved in the work of the Related Underwriter and the Related Underwriter has not been and will not be involved in the decisions of the Dealer Manager as to whether the Dealer Managed Fund will purchase Shares during the Prohibition Period.

Decision

Each of the Decision Makers has assessed the conflict of interest risks associated with granting an exemption in this instance from subsection 4.1(1) of NI 81-102 and is satisfied that, at the time this Decision is granted, the potential risks are sufficiently mitigated.

Each of the Decision Makers is satisfied that the test contained in the NI 81-102 that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The Decision of the Decision Makers under the Legislation is that the Requested Relief is granted, notwithstanding that the Related Underwriter acts or has acted as underwriter in the Offering provided that the following conditions are satisfied:

I. At the time of each purchase (the "Purchase") of Shares by the Dealer Managed Fund pursuant to this Decision, the following conditions are satisfied:

(a) the Purchase

(i) represents the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(ii) is, in fact, in the best interests of the Dealer Managed Fund;

(b) the Purchase is consistent with, or is necessary to meet, the investment objective of the Dealer Managed Fund as disclosed in its simplified prospectus; and

(c) the Dealer Managed Fund does not place the order to purchase, on a principal or agency basis, with its Related Underwriter;

II. Prior to effecting any Purchase pursuant to this Decision, the Dealer Managed Fund has in place written policies or procedures to ensure that,

(a) there is compliance with the conditions of this Decision; and

(b) in connection with any Purchase,

(i) there are stated factors or criteria for allocating the Shares purchased for the Dealer Managed Fund and other Managed Accounts, and

(ii) there is full documentation of the reasons for any allocation to a Dealer Managed Fund or Managed Account that departs from the stated allocation factors or criteria;

III. The Dealer Manager does not accept solicitation by its Related Underwriter for the Purchase of Shares for the Dealer Managed Fund;

IV. The Related Underwriter does not purchase Shares in the Offering for its own account except Shares sold by the Related Underwriter on Closing;

V. The Dealer Managed Fund has an Independent Committee to review the Dealer Managed Fund's investments in Shares during the Prohibition Period;

VI. The Independent Committee has a written mandate describing its duties and standard of care which, as a minimum, sets out the conditions of this Decision;

VII. The members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith, and in the best interests of

investors in the Dealer Managed Fund and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

VIII. The Dealer Managed Fund does not relieve the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above;

IX. The Dealer Managed Fund does not incur the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above;

X. The cost of any indemnification or insurance coverage paid for by the Dealer Manager, any portfolio manager of the Dealer Managed Fund, or any associate or affiliate of the Dealer Manager or any portfolio manager of the Dealer Managed Fund to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above is not paid either directly or indirectly by the Dealer Managed Fund;

XI. The Dealer Manager files a certified report on SEDAR (the "SEDAR Report") no later than 30 days after the end of the Prohibition Period, that contains a certification by the Dealer Manager that contains:

(a) the following particulars of each Purchase:

(i) the number of Shares purchased by the Dealer Managed Fund;

(ii) the date of the Purchase and purchase price;

(iii) whether it is known whether any underwriter or syndicate member has engaged in market stabilization activities in respect of the Shares;

(iv) if Shares were purchased for the Dealer Managed Fund and other Managed Accounts of the Dealer Manager, the aggregate amount so purchased and the percentage of such aggregate amount that was allocated to the Dealer Managed Fund; and

(v) the dealer from whom the Dealer Managed Fund purchased the Shares and the fees or commissions, if any, paid by the Dealer Managed Fund in respect of such Purchase;

(b) a certification by the Dealer Manager that the Purchase:

(i) was made free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(ii) represented the business judgment of the Dealer Manager uninfluenced by considerations other than the best interest of the Dealer Managed Fund, or

(iii) was, in fact, in the best interests of the Dealer Managed Fund;

(c) confirmation of the existence of the Independent Committee to review the Purchase of the Shares by the Dealer Managed Fund, the names of the members of the Independent Committee, the fact that they meet the independence requirements set forth in this Decision, and whether and how they were compensated for their review;

(d) a certification by each member of the Independent Committee that after reasonable inquiry the member formed the opinion that the policies and procedures referred to in Condition II(a) above are adequate and effective to ensure compliance with this Decision and that the decision made on behalf of the Dealer Managed Fund by the Dealer Manager to purchase Shares for the Dealer Managed Fund and each Purchase by the Dealer Managed Fund:

(i) was made in compliance with the conditions of this Decision;

(ii) was made by the Dealer Manager free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(iii) represented the business judgment of the Dealer Manager

uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(iv) was, in fact, in the best interests of the Dealer Managed Fund.

XII. The Independent Committee advises the Decision Makers in writing of:

(a) any determination by it that the condition set out in paragraph XI(d) has not been satisfied with respect to any Purchase of the Shares by the Dealer Managed Fund;

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

(c) any action it has taken or proposes to take following the determinations referred to above; and

(d) any action taken, or proposed to be taken, by the Dealer Manager or a portfolio manager of the Dealer Managed Fund, in response to the determinations referred to above.

XIII. For Purchases of Shares during the Distribution only, the Dealer Manager:

(a) expresses an interest to purchase on behalf of the Dealer Managed Fund and Managed Accounts a fixed number of Shares (the "Fixed Number") to an underwriter other than its Related Underwriter;

(b) agrees to purchase the Fixed Number or such lesser amount as has been allocated to the Dealer Manager no more than five (5) business days after the final prospectus has been filed;

(c) does not place an order with an underwriter of the Offering to purchase an additional number of Shares under the Offering prior to the completion of the Distribution, provided that if the Dealer Manager was allocated less than the Fixed Number at the time the final prospectus was filed for the purposes of the Closing, the Dealer Manager may place an additional order for such number of additional Shares equal to the difference between the Fixed Number and the number of Shares allotted to the Dealer Manager at the time of the final prospectus in the event the underwriters exercise the Over-Allotment Option; and

(d) does not sell Shares purchased by the Dealer Manager under the Offering, prior to the listing of such Shares on the TSX.

XIV. Each Purchase of Shares during the 60-Day Period is made on the TSX; and

XV. For Purchases of Shares during the 60-Day Period only, an underwriter provides to the Dealer Manager written confirmation that the "dealer restricted period" in respect of the Offering, as defined in Ontario Securities Commission Rule 48-501. Trading During Distributions, Formal Bids and Share Exchange Transactions, has ended.

"Rhonda Goldberg"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.3 ING Investment Management Co. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

Applicant registered as an adviser in the category of international adviser exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under 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 OSCB 926, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1, 6.1.

December 23, 2005

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

AND

IN THE MATTER OF
ING INVESTMENT MANAGEMENT CO.

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 ING Investment Management Co. (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 was formed under the laws of the State of Connecticut in the United States. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant is registered in Ontario as an international adviser and has applied for registration as an investment counsel (international adviser) in Manitoba. The Applicant is registered as an investment adviser with the U.S. Securities Exchange Commission and as an investment manager with the Irish Financial Services Regulatory Authority. The head office of the Applicant is in New York, New York.

2. MI 31-102 requires that all registrants 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, and anticipates a significant cost for an account that would not otherwise be used.

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, and makes such payment within ten business days of the date of the NRD filing or payment due date;

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"

2.1.4 Aflease Gold and Uranium Resources Limited and Southern Cross Resources Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted to permit issuer to make disclosure in accordance with South African code for Reporting of Mineral Resources and Mineral Reserves - Relief subject to condition that the disclosure include a statement that the mineral resources and mineral reserves would be identical if issued in accordance with the mineral resource and mineral reserve standards mandated by National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Applicable Rules

National Instrument 43-101 – Standards of Disclosure for Mineral Projects, ss. 1.3, 1.4, 2.2(a).

October 26, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO AND NEW BRUNSWICK

AND

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

AND

IN THE MATTER OF
AFLEASE GOLD AND URANIUM RESOURCES LIMITED
AND
SOUTHERN CROSS RESOURCES INC.
(THE "FILER")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of Ontario and New Brunswick (the **Jurisdictions**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the requirements of Section 2.2(a) of National Instrument NI 43-101 to permit disclosure of mineral resources and mineral reserves in two independent technical reports being prepared by SRK Consulting on the material properties of Aflease Gold and Uranium Resources Limited (**Aflease**) utilizing the mineral resource and mineral reserve categories of the *South African Code for Reporting of Mineral Resources and Mineral Reserves* (the **SAMREC Code**) (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications, (a) Ontario is the principal regulator for

this application and (b) the 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. Aflease was incorporated under the South African *Companies Act* in 1921, with its head office in Johannesburg at 55 Empire Road, Parktown, South Africa.

2. The authorized capital of Aflease consists of 500 million ordinary shares of 2 cents par value each, of which 400,965,558 ordinary shares are issued and outstanding.

3. The ordinary shares of Aflease trade on the JSE Limited (formerly the Johannesburg Securities Exchange) under the symbol "AFL" and over the counter on the "pink sheets" market in the United States under the symbol "AFLUY".

4. Aflease is not a reporting issuer in any Canadian jurisdiction.

5. Southern Cross Resources Inc. ("Southern Cross") is a corporation continued under the *Canada Business Corporations Act*, with its head office in Toronto at 26 Wellington Street East, Suite 820, Toronto, Ontario, M5E 1S2.

6. The common shares of Southern Cross are listed and posted for trading on The Toronto Stock Exchange. Southern Cross is a reporting issuer under the securities legislation of Ontario and New Brunswick.

7. Pursuant to a definitive acquisition agreement dated September 14, 2005 between Southern Cross and Aflease and subject to shareholder and regulatory approvals and to the satisfaction of other conditions set out therein, Southern Cross will acquire all of the issued and outstanding ordinary shares of the Company on the basis of 0.18 of a Southern Cross common share for each Aflease ordinary share pursuant to a scheme of arrangement under Section 311 of the South African *Companies Act* (the "Arrangement"). The Arrangement will constitute a reverse take-over of Southern Cross.

8. In connection with the Arrangement, Aflease has engaged SRK Consulting to prepare two independent technical reports on its material properties in accordance with the requirements of NI 43-101 and Form 43-101F1 (the "Technical Reports") and the authors of the Technical Reports are "qualified persons" as defined in NI 43-101 (the "Qualified Persons").

9. The Technical Reports will filed by Southern Cross with the securities regulatory authorities in Ontario and New Brunswick to support disclosure made in the information circular to be sent to holders of Southern Cross common shares in connection with the Arrangement (the "Southern Cross Information Circular").

10. The Technical Reports disclose Aflease's mineral resources and mineral reserves utilizing the mineral resource and mineral reserve categories of the SAMREC Code. The Technical Reports contain a statement by the Qualified Persons of SRK Consulting that the mineral resources and mineral reserves disclosed therein would be identical if issued in accordance with the mineral resource and mineral reserve standards mandated by Sections 1.3 and 1.4 of NI 43-101.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the disclosure in the Technical Reports includes a statement that the mineral resources and mineral reserves would be identical if issued in accordance with the mineral resource and mineral reserve standards mandated by Sections 1.3 and 1.4 of National Instrument 43-101.

"Charlie MacCready"
Assistant Manager
Ontario Securities Commission

2.1.5 Front Street Alternative Asset Fund Inc. - MRRS Decision

Headnote

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

Rules Cited:

National Instrument 81-105 Mutual Fund Sales Practices.

December 2, 2005

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

AND

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

AND

IN THE MATTER OF
NATIONAL INSTRUMENT 81-105
MUTUAL FUND SALES PRACTICES (NI 81-105)

AND

IN THE MATTER OF
FRONT STREET ALTERNATIVE ASSET FUND INC.
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision pursuant to section 9.1 of NI 81-105 for an exemption from the prohibition contained in section 2.1 of NI 81-105 against making of certain payments by the Fund to participating dealers such that the Filer can pay the Distribution Expenses, defined herein, to participating dealers (the Requested Relief). .

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

(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 Fund is a corporation incorporated under the *Business Corporations Act* (Ontario). It is registered as a labour sponsored investment management corporation under the *Community Small Business Investment Funds Act* (Ontario).

2. The Fund is a mutual fund as defined in the legislation of each of the Jurisdictions. The Fund has filed a preliminary prospectus dated October, 2005 (the Preliminary Prospectus) in each of the Jurisdictions in connection with the proposed offering to the public of Class A Shares.

3. The authorized capital of the Fund consists of an unlimited number of Class A Shares of which none are currently issued and outstanding as of the date hereof and an unlimited number of Class B Shares in the capital of the Fund, of which 10 shares are issued and outstanding as of the date hereof.

4. Front Street Capital 2004 (the Manager), the manager of the Fund, along with The National Guild of Canadian Media, Manufacturing, Professional and Services Workers/CWA, the sponsor, are the organizers of the Fund.

5. The Fund proposes to pay directly to participating dealers associated with the distribution of its Class A Shares, a service fee of 1.25% annually of the net asset value of the Class A Shares held by the clients of the sales representatives of the dealers (the Services Fee).

6. The Fund may also pay for the reimbursement of co-operative marketing expenses (the Co-op Expenses) incurred by certain dealers in promoting sales of the Class A Shares, pursuant to co-operative marketing agreements the Fund may enter into with such dealers.

7. All of the costs associated with the distribution of Class A Shares, including the Service Fee and the Co-op Expenses (collectively the Distribution Expenses) are fully disclosed in the Prospectus. The fact that the Fund intends to pay certain of these expenses out of the assets of the Fund is also disclosed.

8. The Manager, or an affiliate, is the only member of the organization of the Fund, other than the Fund, available to pay the Distribution Expenses. The Manager would be obliged to borrow money, to pay the Distribution Expenses upfront, unless the requested discretionary relief is granted.

9. Any loans obtained by the Manager to finance the Distribution Expenses would result in the Manager increasing the management fee chargeable to the Fund, by an amount equal to the borrowing costs incurred by the Manager plus an amount required to compensate the Manager for any risks associated with fluctuations in the net asset value of the Fund and, therefore, fluctuations in the Manager's fee. Requiring compliance with section 2.1 of NI 81-105 would cause the expenses of the Fund to increase above those contemplated in the Preliminary Prospectus.

10. Requiring the Manager to pay the Distribution Expenses while granting an exemption to other labour funds permitting such funds to pay similar Distribution Expenses directly would put the Fund at a permanent and serious competitive disadvantage with its competitors.

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

Decision

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

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

(a) the Distribution Expenses are otherwise permitted by, and paid in accordance with, NI 81-105;

(b) the Fund will in its financial statements expense the Distribution Expenses in the fiscal period when incurred and will ensure that the Distribution Expenses are being included in the Fund's calculation of its management expense ratio;

(c) the summary section of the prospectus of the Fund (the Summary Section) has full, true and plain disclosure explaining to investors that they indirectly support the payment of the Distribution Expenses. The Summary Section must be placed within the first 10 pages of the prospectus;

(d) the Fund shall include in the Summary Section a summary table of fees and expenses payable by the Fund in the following format:

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

Type and Amount of Fee **Description**

(e) the summary table shall also include the annual management expense ratio of the Fund for each of the last five completed financial years of the Fund with a brief description of the method of calculating the management expense ratio and the annual returns of the Fund for each of the last five completed financial years of the Fund; and

(f) this exemption shall cease to be operative with respect to the Decision Makers on the date that a rule or regulation replacing or amending section 2.1 of NI 81-105 comes into force.

"Paul M. Moore"
Vice Chair
Ontario Securities Commission

"Robert W. Davis"
Commissioner
Ontario Securities Commission

2.1.6 Tempest Energy Corp. - s. 83

Headnote

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

Ontario Statutes

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

Citation: Tempest Energy Corp., 2006 ABASC 1004.

January 9, 2006

Burnet, Duckworth & Palmer LLP
1400, 350 - 7 Avenue SW
Calgary, AB T2P 3N9

Attention: Laurie A. Schrader

Dear Madam:

Re: Tempest Energy Corp. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that:

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

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

Relief requested granted on the 9th day of January, 2006.

"Blaine Young"
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.7 Allbanc Split Corp. II et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - subdivided offering - the prohibitions contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds shall not apply to the promoter/agent with respect to certain principal trades with the issuer in securities comprising the issuer's portfolio - issuer's portfolio consisting of common shares of the Bank of Nova Scotia.

Issuer, a mutual fund, exempted from restriction against making an investment in any person or company who is a substantial security holder of the Issuer's distribution company.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 111(2)(a), 113, 119, 121(2)(a)(ii)

January 9, 2006

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

AND

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

AND

IN THE MATTER OF
ALLBANC SPLIT CORP. II

AND

IN THE MATTER OF
SCOTIA CAPITAL INC.

AND

IN THE MATTER OF
TD SECURITIES INC.
(collectively "the Filers")

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 Filers for decisions under the securities legislation (the "Legislation") of the Jurisdictions that the following requirements contained in the applicable Legislation shall not apply to Allbanc Split Corp. II (the "Issuer"), Scotia Capital Inc. ("Scotia Capital") or TD Securities Inc., as applicable, in connection with the initial public offerings (the "Offerings") of class A capital shares (the "Capital Shares") and class A preferred shares (the "Preferred Shares") of the Issuer:

The prohibitions contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds (the "Principal Trading Prohibitions") shall not apply to Scotia Capital or TD Securities Inc. in connection with the Principal Sales and Principal Purchases (both as hereinafter defined); and

The restrictions contained in the Legislation prohibiting the Issuer from making investments in the common shares of Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank (the "Banks"), which banks are substantial security holders of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital and TD Securities Inc. (the "Related Agents"), which are distribution companies of the Issuer (the "Investment Restrictions"), shall not apply to the Issuer in connection with the Offerings.

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 the are defined in this decision.

Representations

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

The Issuer

1. The Issuer was incorporated on December 7, 2005 under the *Business Corporations Act* (Ontario).

2. The Issuer has filed the Preliminary Prospectus with each of the Decision Makers in respect of the offerings (the "Offerings") of Capital Shares and Preferred Shares to the public.

3. The Issuer is a passive investment company whose principal undertaking will be to invest the

net proceeds of the Offerings in a portfolio (the "Portfolio") of common shares of the Banks (the "Portfolio Shares") in order to generate fixed cumulative preferential distributions for the holders of the Preferred Shares and to enable the holders of Capital Shares to participate in any capital appreciation in the Portfolio Shares after payment of administrative and operating expenses of the Issuer. It will be the policy of the Board of Directors of the Issuer to pay dividends on the Capital Shares in an amount equal to the dividends received by the Issuer on the Portfolio Shares minus the distributions payable on the Preferred Shares and all administrative and operating expenses of the Issuer.

4. The Issuer is considered to be a mutual fund, as defined in the Legislation. Since the Issuer does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Instrument 81-102 Mutual Funds.

5. The Capital Shares and Preferred Shares may be surrendered for retraction at any time in the manner described in the Preliminary Prospectus.

6. It will be the policy of the Issuer to hold the Portfolio Shares and to not engage in any trading of the Portfolio Shares, except:

   (i) to fund retractions or redemptions of Capital Shares and Preferred Shares or a portion of the distribution on the Preferred Shares;

   (ii) pursuant to a rebalancing of the Portfolio by the Board of Directors;

   (iii) following receipt of stock dividends on the Portfolio Shares;

   (iv) in the event of a take-over bid for any of the Portfolio Shares;

   (v) if necessary, to fund any shortfall in distributions on the Preferred Shares;

   (vi) to meet obligations of the Issuer in respect of liabilities including extraordinary liabilities; or

   (vii) certain other limited circumstances as described in the Preliminary Prospectus.

7. The Issuer intends to become a reporting Issuer under the Legislation by filing a final prospectus (the "Final Prospectus") relating to the Offerings. The authorized capital of the Issuer will consist of an unlimited number of Capital Shares, an unlimited number of Preferred Shares, an unlimited number of Class B, Class C, Class D and Class E capital shares, issuable in series, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series, an unlimited number of Class J Shares and an unlimited number of Class S Shares, each having the attributes set forth under the headings "Description of Share Capital" and "Details of the Offerings" commencing on page 13 of the Preliminary Prospectus.

8. The Class J Shares are currently the only voting shares in the capital of the Issuer. At the time of filing the Final Prospectus, there will be 150 Class J Shares and 100 Class S non-voting shares issued and outstanding. Scotia Capital will not own any Class J Shares and will own all of the Class S shares. Allbanc Split Holdings II Corp. will own all of the Class J Shares.

9. The Issuer has a Board of Directors which currently consists of three directors. All of the directors are employees of Scotia Capital. Also, the offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Issuer are held by employees of Scotia Capital. At least two additional, independent directors will be appointed to the Board of Directors of the Issuer prior to the filing of the Final Prospectus.

10. The Portfolio Shares are listed and traded on the Toronto Stock Exchange (the "TSX").

11. The Issuer is not, and will not upon the completion of the Offerings be, an insider of the Banks within the meaning of the Legislation.

The Offerings

12. The net proceeds from the sale of the Capital Shares and Preferred Shares under the Final Prospectus, after payment of commissions to the Agents (as defined in Section 18), expenses of issue and carrying costs relating to the acquisition of the Portfolio Shares, will be used by the Issuer to: (i) pay the acquisition cost (including any related costs or expenses) of the Portfolio Shares; and (ii) pay the initial fee payable to Scotia Capital for its services under the Administration Agreement (as defined in Section 19).

13. The Final Prospectus will disclose selected financial information and dividend and trading history of the Portfolio Shares.

14. Application will be made to list the Capital Shares and Preferred Shares on the TSX.

15. All Capital Shares and Preferred Shares outstanding on a date approximately five years from the closing of the Offerings will be redeemed by the Issuer on such date. As described under Section 16, the Banks are substantial security holders of the Related Agents, which are distribution companies of the Issuer.

Scotia Capital

16. Scotia Capital was incorporated under the laws of the Province of Ontario and is a direct, wholly-owned subsidiary of The Bank of Nova Scotia. Scotia Capital is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and a participant in the TSX.

17. Scotia Capital is the promoter of the Issuer and will be establishing a credit facility in favour of the Issuer in order to facilitate the acquisition of the Portfolio Shares (defined below) by the Issuer.

18. Pursuant to an agreement (the "Agency Agreement") to be made between the Issuer, and Scotia Capital, TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Desjardins Securities Inc., Raymond James Ltd., Canaccord Capital Corporation, Wellington West Capital Inc. and GMP Securities L.P. (collectively, the "Agents" and individually, an "Agent"), the Issuer will appoint the Agents, as its agents, to offer the Capital Shares and Preferred Shares of the Issuer on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agents in accordance with the Legislation.

19. Pursuant to an administration agreement (the "Administration Agreement") to be entered into between Scotia Capital and the Issuer, the Issuer will retain Scotia Capital to administer the ongoing operations of the Issuer and will pay Scotia Capital a quarterly fee of 1/4 of 0.20 % of the market value of the Portfolio Shares held by the Issuer.

20. Scotia Capital's economic interest in the Issuer and in the material transactions involving the Issuer are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interest of Management and Others in Material Transactions" and include the following:

    (a) agency fees with respect to the Offering;

    (b) an administration fee under the Administration Agreement;

    (c) commissions in respect of the acquisition of Portolio Shares, the disposition of Portfolio Shares to fund a redemption, retraction or purchase for cancellation of the Capital Shares and Preferred Shares;

    (d) interest and reimbursement of expenses, in connection with the acquisition of Portfolio Shares; and

    (e) amounts in connection with Principal Sales and Principal Purchases (as described in paragraphs 21 and 26 below).

The Principal Trades

21. Pursuant to a securities purchase agreement (the "Securities Purchase Agreement") to be entered into between the Issuer, Scotia Capital and TD Securities Inc., the Issuer, Scotia Capital and TD Securities Inc.have agreed to purchase the Portfolio Shares, as agents for the benefit of the. TD Securities Inc. will be responsible for the purchase of the common shares of The Bank of Nova Scotia (the "BNS Shares) for the Issuer and Scotia Capital will be responsible for the purchase of all other Portfolio Shares for the Issuer. Through Scotia Capital and TD Securities Inc., the Issuer will purchase Portfolio Shares in the market on commercial terms or from non-related parties with whom Scotia Capital, TD Securities Inc. and the Issuer deal at arm's length. Subject to regulatory approval, certain of such Portfolio Shares may also be purchased from Scotia Capital and TD Securities Inc., as principals (the "Principal Sales"). The aggregate purchase price to be paid by the Issuer for the Portfolio Shares (together with carrying costs and other expenses incurred in connection with the purchase of Portfolio Shares) will not exceed the net proceeds from the Offerings.

22. Under the Securities Purchase Agreement, Scotia Capital and TD Securities Inc. may receive commissions not exceeding normal market rates in respect of their purchase of Portfolio Shares and BNS Shares, respectively, as agents on behalf of the Issuer, and the Issuer will pay any carrying costs or other expenses incurred by Scotia Capital or TD Securities Inc., on behalf of the Issuer, in connection with their purchase of Portfolio Shares and BNS Shares, respectively, as agents on behalf of the Issuer. In respect of any Principal Sales made to the Issuer by Scotia Capital or TD Securities Inc. as principals, Scotia Capital or TD Securities Inc. may realize a financial benefit to the extent that the proceeds received from the Issuer exceed the aggregate cost to Scotia Capital or TD Securities Inc. of such Portfolio Shares or BNS Shares, respectively. Similarly, the proceeds received from the Issuer may be less than the aggregate cost to Scotia Capital or TD Securities Inc. of the Portfolio Shares or BNS Shares, respectively and Scotia Capital or TD Securities Inc. may realize a financial loss, all of which is disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus.

23. The Preliminary Prospectus discloses and the Final Prospectus will disclose that any Principal Sales will be made in accordance with the rules of the applicable stock exchange and the price paid to Scotia Capital or TD Securities Inc. (inclusive of all transaction costs, if any) will not be greater than the price which would have been paid (inclusive of all transaction costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the Portfolio Shares are listed and posted for trading at the time of the purchase from Scotia Capital or TD Securities Inc.

24. Scotia Capital and TD Securities Inc. will not receive any commissions from the Issuer in connection with the Principal Sales and all Principal Sales will be approved by a majority of the independent directors of the Issuer. In carrying out the Principal Sales, Scotia Capital and TD Securities Inc. will deal fairly, honestly and in good faith with the Issuer.

25. For the reasons set forth in Sections 21 and 22 above, and the fact that no commissions are payable to Scotia Capital or TD Securities Inc. in connection with the Principal Sales, in the case of the Principal Sales, the interests of the Issuer and the shareholders of the Issuer may be enhanced by insulating the Issuer from price increases in respect of the Portfolio Shares.

26. In connection with the services to be provided by Scotia Capital to the Issuer pursuant to the Administration Agreement, Scotia Capital may sell Portfolio Shares to fund retractions of Capital Shares and Preferred Shares prior to the Redemption Date and upon liquidation of the Portfolio Shares in connection with the final redemption of Capital Shares and Preferred Shares on the Redemption Date. These sales will be made by Scotia Capital as agent on behalf of the Issuer, but in certain circumstances, such as where a small number of Capital Shares and Preferred Shares have been surrendered for retraction, Scotia Capital may purchase Portfolio Shares as principal (the "Principal Purchases") subject to receipt of all regulatory approvals.

27. In connection with any Principal Purchases, Scotia Capital will comply with the rules, procedures and policies of the applicable stock exchange of which they are members and in accordance with orders obtained from all applicable securities regulatory authorities. The Preliminary Prospectus discloses and the Final Prospectus will disclose that Scotia Capital may realize a gain or loss on the resale of such securities.

28. The Administration Agreement will provide that Scotia Capital must take reasonable steps, such as soliciting bids from other market participants or such other steps as Scotia Capital, in its discretion, considers appropriate after taking into account prevailing market conditions and other relevant factors, to enable the Issuer to obtain the best price reasonably available for the Portfolio Shares so long as the price obtained (net of all transaction costs, if any) by the Issuer from Scotia Capital is at least as advantageous to the Issuer as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.

29. All Principal Purchases will be approved by a majority of the independent directors of the Issuer.

30. Scotia Capital will not receive any commissions from the Issuer in connection with Principal Purchases and, in carrying out the Principal Purchases, Scotia Capital shall deal fairly, honestly and in good faith with the Issuer.

31. At the time of making Principal Sales and Principal Purchases, Scotia Capital and TD Securities Inc. will not have any knowledge of a material fact or material change with respect to Portfolio Shares that has not been generally disclosed.

Decision

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

The decision of the Decision Makers is that:

A. The Principal Trading Prohibitions shall not apply to the Filers in connection with the Principal Sales and Principal Purchases; and

B. The Investment Restrictions shall not apply to the Issuer in connection with the Investments in Portfolio Shares for the purposes of the Offering.

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

"Paul K. Bates"
Commissioner
Ontario Securities Commission

2.1.8 Excapsa Software, Inc. - MRRS Decision

Headnote

Subsection 74(1) – exemption from prospectus requirement in connection with first trade of shares purchased pursuant to a private placement – issuer unable to fully comply with conditions of section 2.14 of NI 45-102 as approximately 16 % of issuer's shares held by Ontario residents – exemption conditional on, inter alia, resale occurring over the AIM market or other market outside of Canada.

Statutes Cited

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

Rules Cited

National Instrument 45-102 – Resale of Securities.

January 5, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, ONTARIO
AND QUÉBEC (the Jurisdictions)

AND

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

AND

IN THE MATTER OF
EXCAPSA SOFTWARE, INC.

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from Excapsa Software, Inc. (the **Filer**) for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filer from the prospectus requirements contained in the Legislation in connection with the first trades of Canadian Offering Shares (as defined below) of the Filer acquired by certain persons pursuant to applicable private placement exemptions from the dealer registration and prospectus requirements contained in the Legislation (the **Requested Relief**), subject to certain terms and conditions.

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

(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 was incorporated under the laws of British Columbia on April 28, 2004, and continued under the *Canada Business Corporation Act* on February 28, 2005. The head office of the Filer is located in Toronto, Ontario.

2. The Filer is not a reporting issuer in any jurisdiction of Canada where that concept exists, nor are any of its securities listed or posted for trading on any stock exchange in Canada or elsewhere. The Filer has no present intention of listing its securities on any stock exchange in Canada or of becoming a reporting issuer under the *Securities Act* (Ontario) or under any other Canadian securities laws.

3. The authorised capital of the Filer consists of an unlimited number of common shares, of which 169,235,424 common shares (the **Shares**) were issued and outstanding as of December 22, 2005.

4. As of December 22, 2005, an aggregate of 10,103,384 Shares (5.97% of the outstanding Shares), are held by residents of Canada (the **Founders' Shares**). The holders of the Founders' Shares consist of three individuals and one family trust.

5. Three individuals acquired an aggregate of 1,783,384 Founders' Shares in private placements exempt from registration when such individuals were domiciled in the United States. All three individuals only became residents of Canada after initially acquiring their Founders' Shares.

6. A family trust domiciled in Canada acquired 8,320,000 Founders' Shares in a private placement. The settler of such trust is the Chief Executive Officer who is the founder of the Filer, and the settler was the sole shareholder of the Filer at the time the family trust initially acquired its Founders' Shares.

7. While the exact number of common shares to be issued has not yet been determined, the Filer proposes to conduct an initial public offering (the **Offering**) of its common shares outside of Canada, which will include, as part of the Offering, a private placement of common shares to investors in the Jurisdictions (the **Canadian Investors**) in reliance on dealer registration and prospectus exemptions contained in National

Instrument 45-106 – *Prospectus and Registration Exemptions* (the **Canadian Offering Shares**).

8. The Filer is proposing to make an application for all of its issued and outstanding common shares, immediately following the Offering, to be listed for trading on the AIM Market operated by the London Stock Exchange plc (**AIM** and the **Foreign Listing**). Following the Offering and the Foreign Listing, the common shares will be publicly traded on AIM.

9. Immediately following the Offering it is anticipated that the Canadian Offering Shares will constitute ten percent (10%), but not more than 10%, of the issued and outstanding common shares. However, when aggregated with the previously issued Founders' Shares, it is anticipated that the total number of common shares held by Canadians will be approximately 16% of the total number of issued and outstanding common shares.

10. After giving effect to the Offering, purchasers of the Canadian Offering Shares will not represent in number more than 10% of the total number of owners directly or indirectly of common shares of the Filer.

11. Pursuant to the rules for AIM companies published by the London Stock Exchange, the Founders' Shares will be subject to a one year lock-up period following the Foreign Listing.

12. Any resale of the Canadian Offering Shares or the Founders' Shares by the Canadian Investors or the Founders, as the case may be, is expected to be made over AIM, as there is no market for the common shares in Canada and none is expected to develop.

13. In the absence of an order granting relief, the first trade in Canadian Offering Shares by any of the Canadian Investors will be deemed to be a distribution pursuant to section 2.6 of National Instrument 45-102 – *Resale of Securities* (**NI 45-102**) unless, among other things, the Filer has been a reporting issuer for four months immediately preceding the trade in one of the jurisdictions set forth in Appendix B to NI 45-102.

14. The exemption provided for by section 2.14 of NI 45-102 will not be available to the Canadian Investors with respect to a first trade of Canadian Offering Shares as the criteria set out at subsection 2.14(b) of NI 45-102 is not met in that it is expected that, at the distribution date of the Canadian Offering Shares, residents of Canada (including holders of the Founders' Shares) will own directly or indirectly more than 10% of the outstanding common shares of the Filer.

15. No market for the common shares exists in Canada and none is expected to develop. It is intended that any resale of the Canadian Offering Shares or the Founders' Shares by Canadian residents be effected through the facilities of AIM or any other exchange or market outside of Canada on which the common shares may be quoted or listed at the time that the trade occurs or to a person or company outside of Canada, in accordance with the rules and regulations of such foreign market.

16. The Filer will be subject to reporting obligations under the rules of the London Stock Exchange. Holders of Canadian Offering Shares and holders of the Founders' Shares will receive copies of all shareholders materials provided to all other holders of common shares, as required by the rules of the London Stock Exchange.

Decision

This MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the **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 the Requested Relief is granted provided that:

i) at the date of the trade, the Filer is not a reporting issuer in any jurisdiction of Canada where that concept exists; and

ii) the trade is executed through the facilities of AIM or on another exchange or market outside Canada or to a person or company outside of Canada.

"Robert W. Davis"

"Susan Wolburgh Jenah"

2.1.9 Crescent Point General Partner Corp. - s. 83

Headnote

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

Ontario Statutes

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

Citation: Crescent Point General Partner Corp., 2005 ABASC 1002.

January 9, 2006

McCarthy Tetrault
3300, 421 - 7 Avenue SW
Calgary, AB T2P 4K9

Attention: Kenna M. Graham

Dear Madam:

Re: Crescent Point General Partner Corp. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta and Ontario (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that:

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

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

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

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

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

Relief requested granted on the 9th day of January, 2006.

"Blaine Young"
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.10 Front Street Alternative Asset Fund Inc. - MRRS Decision

Headnote

MRRS exemptive relief granted to a labour sponsored investment fund from certain mutual fund requirements and restrictions on incentive fees.

Rules Cited

National Instrument 81-102 - Mutual Funds, ss. 7.1, 19.1.

December 13, 2005

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

AND

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

AND

IN THE MATTER OF
NATIONAL INSTRUMENT 81-102 MUTUAL FUNDS

AND

IN THE MATTER OF
FRONT STREET ALTERNATIVE ASSET FUND INC.
(the Fund)

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 Fund for a decision under the securities legislation of the Jurisdictions (the Legislation) for the Fund to be exempt, pursuant to subsection 19.1 of NI 81-102, from Part 7 of NI 81-102 to pay the Performance Bonus (defined herein) (the Requested Relief).

The Ontario Securities Commission has received an application for a decision to revoke and replace a Prior Ontario Decision (defined herein) with this MRRS Decision Document pursuant to section 144 of the *Securities Act* (Ontario)(the Act).

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

(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 Fund (formerly Terra Firma Emerging Companies Fund 2004 Inc.) is a corporation incorporated under the *Business Corporations Act* (Ontario) by articles of incorporation dated October 30, 2003.

2. The Fund is registered as a labour sponsored investment fund under the *Community Small Business Investments Fund Act* (Ontario).

3. The Fund became a reporting issuer in Ontario by a way of prospectus receipt dated January 9, 2004. The Fund has subsequently redeemed all its outstanding Class A shares effective October 19, 2004.

4. The Fund is a mutual fund as defined in the Legislation. A preliminary prospectus to re-establish the Fund, dated October, 21 2005, was filed with the Decision Makers. The Fund will, upon the issuance of a receipt for a final prospectus, distribute securities in each of the Jurisdictions.

5. The Fund sought and received an Ontario decision on January 9, 2004 (the Prior Ontario Decision) exempting the Fund from Part 7 of NI 81-102 in relation to incentive fees.

6. Front Street Capital 2004 will be the manager of the Fund (the Manager) and Front Street Investment Management Inc. will be the investment advisor of the Fund (the Investment Advisor).

7. As disclosed in the prospectus, “eligible investment” means an investment which, at the time of purchase, qualifies as an investment in an eligible business as defined in the *Community Small Business Investment Funds Act* (Ontario) and the *Income Tax Act* (Canada). Eligible investment excludes liquid investments.

8. For the purpose of the relief in this letter, “income” means all interests, dividends, fees, capital gains and other distributions received by the Fund from its investment in eligible investments.

9. The Fund will pay to the Investment Advisor in respect of each fiscal year of the Fund a performance bonus per unit (the Performance Bonus) equal to the lesser of 20% of all income earned from the eligible investments, and (ii) the portion of that amount that does not reduce returns to shareholders on the Investment Portfolio below a cumulative annualized threshold return at least equal to the rate for 91-day t-bills plus 300 bps, calculated quarterly and then averaged for the year.

Notwithstanding the foregoing, no Performance Bonus will be payable with respect to any fiscal year of the Fund unless the Investment Portfolio has:

(a) earned sufficient income to generate a rate of return on eligible investments in excess of a cumulative annualized threshold return of at least equal to the rate for 91-day t-bills plus 300 bps, calculated quarterly and then averaged for the year. The income on eligible investments includes gains and losses (realized and unrealized) earned and incurred since the inception of the Fund, and

(b) earned income form an eligible investment which provides, since the date of investment, a cumulative investment return at an average annual rate at least equal to the rate for 91-day t-bills plus 300 bps, calculated quarterly and then averaged for the year.

10. The Performance Bonus does not conform to the requirements of section 7.1 of NI 81-102. The Performance Bonus is based on realized gains and the cumulative performance of the venture portfolio (and not in relation to a benchmark). The Performance Bonus is not based on the total return of the Fund because liquid investments are not included in the Fund's portfolio of eligible investments.

11. The Fund is designed to encourage the public to invest in a vehicle that makes venture capital investments. The making of venture capital investments is substantially different from the types of investments generally made by public mutual funds.

12. The basis for payment of the Performance Bonus, as described in paragraph 9 (the Incentive Arrangement), is appropriate in light of the nature of venture capital investing and is consistent with the incentives used in the venture capital industry, and in particular, in private venture capital funds. The Fund believes that it needs to be able to offer an incentive fee arrangement similar to those of other venture capital funds in order to attract the necessary professional expertise to be able to carry out the investment operations and its mandate.

Decision

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

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

(a) The final prospectus of the Fund will:

(i) fully disclose that the Investment Advisor considers the Performance Bonus and the Incentive Arrangement to be appropriate given the disclosed investment objectives and strategies of the Fund;

(ii) provide an explanation of why the Performance Bonus and the Incentive Arrangement are appropriate for the Fund; and

(iii) provide an explanation of the Performance Bonus calculation for partial dispositions of an eligible investment.

(b) The relief provided herein is conditional upon compliance with all other applicable provisions of NI 81-102.

Further, the Ontario Securities Commission under section 144 of the Act hereby revokes and replaces the Prior Ontario Decision with respect to the Fund with this MRRS Decision Document.

"Rhonda Goldberg"
Assistant Manager, Investment Funds Branch

2.1.11 Diversified Canadian Financial Corp. - s. 83

Headnote

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

Ontario Statutes

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

January 6, 2006

Diversified Canadian Financial Corp.
Suite 300, BCE Place
181 Bay Street
P.O. Box 762
Toronto, Ontario
M5J 2T3

Attention: Sachin G. Shah, Chief Financial Officer

Dear Sirs/Mesdames:

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

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

As the Applicant has represented to the Decision Makers that,

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

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

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

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

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

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

2.1.12 Covington Group of Funds Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – approval of merger of certain labour sponsored investment funds pursuant to paragraph 5.5(1)(b) of National Instrument 81-102 Mutual Funds – exemption granted from the requirement in National Instrument 81-106 Investment Fund Continuous Disclosure to send securityholders an information circular prepared in the form of Form 51-102F5 in connection with the merger, subject to conditions.

Rules Cited

National Instrument 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6.
National Instrument 81-106 Investment Fund Continuous Disclosure, s. 12.2(2)(a).

December 15, 2005

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

AND

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

AND

IN THE MATTER OF
COVINGTON GROUP OF FUNDS INC.,
NGB MANAGEMENT INC., AND
NEW MILLENNIUM VENTURE PARTNERS INC.
(collectively, the Managers)

AND

TRIAX GROWTH FUND INC.
NEW MILLENNIUM VENTURE FUND INC.,
E2 VENTURE FUND INC.,
CAPITAL FIRST VENTURE FUND INC.,
NEW GENERATION BIOTECH (BALANCED) FUND INC.,
AND
VENTURE PARTNERS BALANCED FUND INC.,
(collectively, the Funds)

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 Managers and the Funds (together, the Filers) for a decision under the securities legislation of the Jurisdictions (the Legislation) for:

(1) approval (the Approval) of the amalgamation (the Current Merger) of the Funds pursuant to paragraph 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* (NI 81-102);

(2) an exemption (the Exemption) from paragraph 12.2(2)(a) of National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) in respect of the requirement to send shareholders of the Funds an information circular in the form of a completed Form 51-102F5; and

(3) in connection with all future mergers (Future Mergers) of labour sponsored investment fund corporations managed by the Managers or any of their affiliates that are implemented within one year of the date of this decision, for:

(i) an exemption from paragraph 12.2(2)(a) of NI 81-106 in respect of the requirement to send shareholders of Terminating Funds an information circular in the form of a completed Form 51-102F5 (the Future Exemption); and

(ii) approval pursuant to paragraph 5.5(1)(b) of NI 81-102 to not send:

(a) a current prospectus of the Continuing Fund; and

(b) annual and interim financial statements of the Continuing Fund, to securityholders of the Terminating Funds.

(the approval requested in (3)(ii) above is referred to as the Future Approval).

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. The following additional terms shall have the following meanings:

"Complete Circular" means the information circular prepared in accordance with Form 51-102F5 – *Information Circular* of National nstrument 51-102 – *Continuous Disclosure*

Obligations;

"Continuing Fund" means the fund that continues after an applicable Merger and includes the New Fund;

"Equity Shares" means Class A Shares, Series II of New Millennium Venture Fund Inc. and all Class A Shares of Triax Growth Fund Inc. and E2 Venture Fund Inc.;

"Financial Information" means the financial statement disclosure for the Terminating Funds and the Continuing Fund in an applicable Merger that s required to be included in the Complete Circular, as prescribed by Item 4.2;

"Item 14.2" means Item 14.2 in Form 51-102F5 – *Information Circular* of National Instrument 51-102 – *Continuous Disclosure Obligations*;

"Merger" means the Current Merger or any Future Merger;

"New Fund" means Covington Venture Fund Inc., the fund that will exist following the Current Merger;

"**Ontario Funds"** means the Funds other than the Triax Growth Fund Inc.;

"Tailored Circular" means the information circular prepared in the form of a completed Form 51-102F5, except that with respect to Item 14.2:

(a) the Tailored Circular will describe the Merger and provide a summary of the characteristics of the Continuing Fund, and will provide information sufficient to enable a reasonable securityholder to form a reasoned judgment concerning the nature and effect of the Merger and the ontinuing Fund, including: (i) a description of the Continuing Fund; (ii) the investment objectives and strategy of the Continuing Fund; (iii) the risk factors associated with an investment in the Continuing Fund; (iv) the identity of the manager and the principal service providers of the Continuing Fund; (v) subscription, valuation and redemption information; (vi) a description of fees and expenses; (vii) a description of dealer compensation; (viii) an outline of the income tax considerations; (ix) nformation about an investor's statutory rights; and (x) a pro forma balance sheet of the Continuing Fund; and

(b) the Tailored Circular will not include the financial statement information of the Terminating Funds or the Continuing Fund as specified by Item 14.2 but instead each of the Terminating Funds and the Continuing Fund will post the Financial Information on SEDAR and make the Financial Information available on the Terminating Funds' website and the Continuing Fund's website, as applicable, and the Managers (or their affiliates, as applicable) will provide a printed copy of the Financial Information promptly and at no cost to any shareholder who requests it from any of the Managers (or their affiliates, as applicable) via a tollfree telephone number.

"Tax Act" means the *Income Tax Act* (Canada);

"TGF" means Triax Growth Fund Inc.; and

"Terminating Funds" means the Funds and any applicable funds managed by the Managers or their affiliates to be reorganized into a Continuing Fund pursuant to a Future Merger.

Representations

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

The Filers

1. Each of the Managers is a corporation incorporated under the laws of Ontario and is a directly or indirectly wholly-owned subsidiary of AMG Canada Inc., a subsidiary of Affiliated Managers Group, Inc., a US public company based in Boston, Massachusetts and incorporated pursuant to the laws of Delaware. The registered office of the Managers is located in Ontario.

2. TGF is incorporated under the *Canada Business Corporations Act*. Each of the Ontario Funds is incorporated under the *Business Corporations* Act (Ontario). Each of the Ontario Funds will be continued under the *Canada Business Corporations Act* a few days before the Current Merger to enable them to amalgamate with TGF.

3. Each of the Ontario Funds is a reporting issuer under applicable securities legislation of Ontario and is not on the public list of defaulting reporting

issuers maintained under the applicable securities legislation of Ontario. TGF is a reporting issuer in every province of Canada except Saskatchewan and is not on the public list of defaulting reporting issuers maintained under the applicable securities legislation of those jurisdictions.

4. Each of the Funds follows the standard investment restrictions and practices applicable to labour sponsored investment funds in their relevant governing legislation.

5. The net asset value for each series of Class A Shares of the Funds is calculated on a daily basis on each day that the Toronto Stock Exchange is open for trading.

The Current Merger

6. Each of the Funds will be amalgamated under the *Canada Business Corporations Act* to form the New Fund on the effective date of the Current Merger. The New Fund will, by operation of law, assume all of the assets and liabilities of the Funds, including the investment portfolio of each Fund. The Managers intend to implement the Current Merger on or about December 15, 2005.

7. The value of each Fund's portfolio and other assets will be determined at the close of business on the day before the effective date of the Current Merger in accordance with the constating documents of each Fund.

8. The Class A shareholders of the Funds will be entitled to receive, pursuant to the terms of the amalgamation agreement, Class A shares of the New Fund having an equivalent net asset value to the Class A shares in the Fund(s) amalgamated out of existence in exchange for their Class A shares in the Fund(s). The Class B shareholder of the Funds, being the Canadian Federal Pilots Association, will receive 600 Class B shares in the capital of the New Fund.

9. Seven different series of Class A Shares of the New Fund will be created. There will be three series of Class A Shares of the New Fund into which all of the Equity Shares are to be exchanged. Those three series will differ based on the sales commissions paid at the time the shares were originally issued and whether or not such commissions were amortized. There will be four series of Class A Shares into which one of the Class A Shares of Venture Partners Balanced Fund Inc., the Class A Shares of Capital First Venture Fund Inc., the Class A Shares, Series I of New Millennium Venture Fund Inc. or the Class A Shares, Series I of New Generation Biotech (Balanced) Fund Inc. (collectively, the Balanced Shares) are to be exchanged. Each series into which Balanced Shares are exchanged will have substantially similar investment objectives as the Balanced Shares for which they are exchanged.

10. No sales charges will be payable in connection with the Current Merger.

11. The portfolios and other assets of the Funds to be acquired by the New Fund may be acquired by the New Fund in compliance with the investment restrictions and practices applicable to labour sponsored investment funds in the Jurisdictions.

12. The portfolios and other assets of the Funds to be assumed by the New Fund are currently, or will be, acceptable, on or prior to the effective date of the Current Merger, to the portfolio advisers of the New Fund and are or will be consistent with the investment objectives of the New Fund. The investment objectives of the New Fund in respect of the Equity Shares will be broader than the investment objectives of both New Millennium Venture Fund Inc. and E2 Venture Fund Inc. since all sector specific restrictions will be removed.

13. The Current Merger will be a tax deferred transaction within the meaning of section 87(1) of the *Income Tax Act* (Canada).

14. Shareholders of the Funds will continue to have the right to redeem securities of the applicable Fund for cash at any time up to the close of business on the business day immediately prior to the effective date of the Current Merger.

15. The Funds have complied with Part 11 of NI 81-106 in connection with the making of the decision to proceed with the Current Merger by the board of directors of each Fund.

16. Shareholders of the Funds will be asked to approve the continuance of the Funds under the CBCA, where applicable, and the Current Merger at the adjourned meeting (the Shareholder Meeting) scheduled to be held on December 13, 2005. For those series of shares of the Funds that will be subjected to a change in investment objective due to the removal of sector specific investment restrictions, the approval of such change will be sought. All shareholders will be asked to approve the new fee structure for the New Fund, their acceptance of the change in the management fees, if applicable, and their acceptance of the proposed tax treatment. The approval of the shareholders will generally be sought on the basis of class votes, however Class A shareholders of New Millennium Venture Fund Inc. will be entitled to vote by series due to the fact that the investment objectives of holders of Series I shares will not change and the investment objective for holders of Series II shares will change.

17. If approved, the name of the New Fund will be Covington Venture Fund Inc.

18. Each Fund whose shareholders approve the amalgamation will, subject to the prior approval of the board of directors of the applicable Fund, amalgamate to form the New Fund as expeditiously as possible following shareholder approval, which amalgamation is currently anticipated to occur on or about December 15, 2005 and the New Fund will continue as publicly offered labour-sponsored investment fund and labour sponsored venture capital corporation after receiving all necessary approvals to do so.

19. The Current Merger is not contingent upon all of the Funds proceeding with the Current Merger and two or more may proceed even if one or more of the others elects not to proceed.

20. The Managers will pay for the costs and expenses associated with the Current Merger. These costs and expenses consist mainly of legal, accounting, proxy solicitation, printing, mailing and regulatory fees.

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21. Approval of the Current Merger is required because the Current Merger does not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102 in the following ways:

    (a) the fundamental investment objectives of certain of the Funds and the New Fund are not, or may be considered not to be "substantially similar";

    (b) the fee structure for the Equity Shares is not, or may not be considered to be "substantially similar";

    (c) the New Fund does not have a current prospectus;

    (d) the materials sent to shareholders of the Funds in connection with the Shareholder Meeting do not include a current prospectus and annual and interim financial statements for the New Fund; and

    (e) an annual information form for the New Fund will not be available to shareholders.

Shareholder Disclosure

22. In connection with the Shareholder Meeting, the Managers will not send shareholders of the Funds a current prospectus and the most recent annual and interim financial statements that have been made public for the New Fund since such documents do not yet exist. As well, the Managers will not make available to shareholders an annual information form for the New Fund since such a document does not yet exist.

23. Instead, the Managers will mail shareholders a notice of meeting, a proxy, and a Tailored Circular. As well, each of the Funds will post its Financial Information on SEDAR and make the Financial Information available on the Funds' website, and the Managers will provide a printed copy of the Financial Information promptly and at no cost to any shareholder who requests it from any of the Managers via mail, e-mail or a toll-free telephone number.

24. In addition to mailing the Tailored Circular to shareholders, the Managers will also:

    (a) prepare the Complete Circular, which will contain prospectus-level disclosure relating to the New Fund, the most recent audited annual financial statements of the Funds and a pro forma balance sheet of the New Fund; and

    (b) file the Complete Circular on SEDAR, make the Complete Circular available on the Funds' website and provide a printed copy of the Complete Circular promptly and at no cost to any shareholder who requests it by contacting one of the Managers via a toll-free telephone number.

25. Delivering the Tailored Circular and making available the Complete Circular upon shareholder request will result in cost savings of $125,000 to $150,000 associated with the printing and mailing of shareholder meeting materials.

26. Shareholders who receive with the information contained in the Tailored Circular will not be prejudiced by not receiving the added disclosure contained in the Complete Circular as they will have access to more detailed information at no cost if they wish to receive it.

Decision

Each of the Decision Makers is satisfied that the test contained in the NI 81-102 and NI 81-106 that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under NI 81-102 and NI 81-106 is that the Approval, the Exemption, the Future Approval and the Future Exemption are granted provided that:

    1) the Managers (or their applicable affiliates in the case of a Future Merger) file a Complete Circular on SEDAR, make the Complete Circular available on the Terminating Funds' website and provide a printed copy of the Complete Circular promptly and at no cost to any shareholder who requests it by

contacting one of the Managers (or their applicable affiliates in the case of a Future Merger) via mail, e-mail or a toll-free telephone number;

2) the Managers (or their applicable affiliates in the case of a Future Merger) mail shareholders of the Terminating Funds the Tailored Circular, and the Tailored Circular:

   (a) prominently discloses in the first few pages of the Tailored Circular and in an easily identifiable location in the Tailored Circular that the shareholders of the Terminating Funds can obtain the Complete Circular and the Financial Information (if such information exists for the Continuing Fund) by accessing the SEDAR website at www.sedar.com, by accessing the Terminating Funds' website and the Continuing Fund's website, as applicable, or by calling any of the Managers (or their applicable affiliates in the case of a Future Merger) at a toll-free telephone number; and

   (b) prominently discloses in the first few pages of the Tailored Circular and in an easily identifiable location in the Tailored Circular where the information about the applicable Continuing Fund can be found in the Tailored Circular;

3) each of the Terminating Funds and Continuing Funds posts its Financial Information (if such information exists for the Continuing Fund) on SEDAR and makes the Financial Information (if such information exists for the Continuing Fund) available on their website, and the Managers (or their applicable affiliates in the case of a Future Merger) provide a printed copy of the Financial Information (if such information exists for the Continuing Fund) promptly and at no cost to any shareholder who requests it from any of the Managers (or their applicable affiliates in the case of a Future Merger) via a toll-free telephone number;

4) the Terminating Funds and Continuing Fund (if it has financial statements) in each applicable Merger has an unqualified audit report in respect of their last completed financial period; and

5) all other requirements of NI 81-102 with respect to the implementation of a Merger are complied with.

"Susan Silma"
Director, Investment Funds Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Archipelago Brokerage Services, LLC - s. 211 of the Regulation

Headnote

Application in connection with application for registration as an international dealer, for an order pursuant to section 211 of the Regulation exempting the applicants from the requirement in subsection 208(2) of the Regulation that they carry on the business of an underwriter in a country other than Canada to be able to register in Ontario as international dealers.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O., Reg. 1015, as am., ss.100(3), 208(2), 211.

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

AND

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

AND

IN THE MATTER OF
ARCHIPELAGO BROKERAGE SERVICES, LLC

ORDER
(Section 211 of the Regulation)

UPON the application (the **Application**) of Archipelago Brokerage Services, LLC (the **Applicant**) to the Ontario Securities Commission for an order, pursuant to section 211 of the Regulation, exempting the Applicant from the requirement in subsection 208(2) of the Regulation that the Applicant carry on the business of an underwriter in a country other than Canada in order for the Applicant to each be registered under the Act as a dealer in the category of international dealer;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant has filed an application for registration as a dealer under the Act, in the category of international dealer, in accordance with section 208 of the Regulation. The Applicant is not presently registered in any capacity under the Act.

2. The Applicant is a limited liability company formed under the laws of the State of Delaware in the United States, and has its principal place of business in Chicago, Illinois.

3. The Applicant is a member of the U.S. National Association of Securities Dealers and Investor Protection Corporation and is currently applying to become an equity trading permit holder at the Pacific Exchange.

4. The Applicant will act as an electronic introducing broker for professional clients including U.S. registered broker-dealers and Canadian IDA member investment dealers. The nature of the Applicant's activities in Ontario will be limited to accepting orders from Canadian broker-dealer clients and routing such orders to U.S. markets for execution. The applicant has entered into a clearing agreement pursuant to which the Applicant's clearing firm, among other things, carries customer accounts on a fully disclosed basis and clears and settles customer transactions.

5. The Applicant does not currently act as an underwriter in the U.S., nor in any jurisdiction outside of the U.S. The Applicant has no intention of acting as an underwriter in Ontario.

6. In the absence of the relief requested in this Application, the Applicant would not meet the requirements of the Regulation for registration as a dealer in the category of international dealer as they do not carry on the business of an underwriter in a country other than Canada.

7. The Applicant does not now act as an underwriter in Ontario and will not act as underwriters in Ontario if they are registered under the Act as international dealers, despite the fact that subsection 100(3) of the Regulation provides that an international dealer is deemed to have been granted registration as an underwriter for the purposes of a distribution which it is permitted to make.

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

IT IS ORDERED, pursuant to section 211 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of international dealer, the Applicant is exempt from the provisions of subsection 208(2) of the Regulation requiring that the Applicant carry on the business of an underwriter in a country other than Canada, provided that, so long as the Applicant is registered under the Act as an international dealer:

(a) the Applicant carries on the business of a dealer in a country other than Canada; and

(b) notwithstanding subsection 100(3) of the Regulation, the Applicant shall not act as an underwriter in Ontario.

December 23, 2005.

"Robert W. Davis"
Commissioner

"Susan Wolburgh Jenah"
Commissioner

2.2.2 Sun Valley Gold Master Fund, Ltd. and McWatters Mining Inc. - s. 144

Headnote

Partial revocation of cease trade order pursuant to section 144 of the Act granted to permit trades solely for the purpose of establishing a tax loss for income tax purposes, in accordance with OSC Policy 57-602.

Applicable Ontario Statutory Provisions

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

Policies Citied

OSC Policy 57-602 Cease Trading Orders – Applications of Partial Revocation to Permit a Securityholder to Establish a Tax Loss.

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

AND

IN THE MATTER OF
SUN VALLEY GOLD MASTER FUND, LTD.
AND
MCWATTERS MINING INC.

ORDER
(Section 144 of the Act)

WHEREAS the securities of McWatters Mining Inc. ("McWatters") are currently subject to a cease trade order of the Ontario Securities Commission (the "Commission") effective July 29, 2004 and extended effective August 10, 2004 (the "Cease Trade Order") pursuant to section 127 of the Act, ordering that trading in any securities of McWatters cease;

AND WHEREAS Sun Valley Gold Master Fund, Ltd. ("Sun Valley Gold Master Fund") has made an application to the Commission pursuant to section 144 of the Act (the "Application") for an order varying the Cease Trade Order in order to allow for the disposition by Sun Valley Gold Master Fund of an aggregate of up to $1,830,000 principal amount of gold-linked senior (unsecured) convertible debentures (the principal amount of the dentures to be disposed is herein referred to as the "Debentures") solely for the purpose of establishing a tax loss;

AND WHEREAS Ontario Securities Commission Policy 57-602 – *Cease Trading Orders – Applications of Partial Revocation to Permit a Securityholder to Establish a Tax Loss* provides that the Commission is prepared to vary an outstanding cease trade order to permit the disposition of securities subject to the cease trade order for the purposes of establishing a tax loss where the Commission

is satisfied that the disposition is being made, so far as the securityholder is concerned, solely for the purpose of that securityholder establishing a tax loss and provided that the securityholder provides the purchaser with a copy of the cease trade order and the variation order.

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

AND UPON Sun Valley Gold Master Fund having represented to the Commission that:

1. McWatters is a Quebec corporation incorporated on November 15, 1994;

2. McWatters is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador;

3. The securities of McWatters are currently subject to the Cease Trade Order for failure to file audited annual financial statements for the fiscal year ended December 31, 2003 and interim financial statements for the three month period ended March 31, 2004. A management cease trade order with respect to the management and insiders of McWatters has been in effect since May 26, 2004;

4. Sun Valley Gold Master Fund is a master feeder fund, organized under the laws of the British Virgin Islands, for the investors in Sun Valley Gold International, Ltd. (of which Sun Valley Gold LLC is the Investment Manager) and Sun Valley Gold, L.P. (of which Sun Valley Gold LLC is the General Partner). Sun Valley Gold LLC has discretionary trading authority over the securities beneficially owned by Sun Valley Gold Master Fund. Sun Valley Gold LLC is an investment manager registered in the United States;

5. Sun Valley Gold Master Fund acquired the Debentures prior to the effective date of the Cease Trade Order;

6. As a result of the Cease Trade Order and other circumstances of McWatters, there is no market for the Debentures and Sun Valley Gold Master Fund has determined that the Debentures have no value;

7. Sun Valley Gold Master Fund will effect the proposed disposition of the Debentures (the "Disposition") solely for the purpose of enabling it to establish a tax loss in respect of such Disposition;

8. GMP Securities L.P. (the "Purchaser") is a broker and investment dealer registered with the Commission and accordingly is a sophisticated purchaser and understands the Debentures have no market value, the nature of the Cease Trade Order and the purpose of the proposed trade;

9. The Purchaser has agreed to purchase the Debentures for a nominal purchase price of $183 (representing $.0001 per one dollar nominal face value per Debenture);

10. The Purchaser will purchase and hold the Debentures as principal; an

11. The Purchaser has been provided with a copy of the Cease Trade Order and, prior to completing the trade, will be provided with a copy of this order.

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

IT IS ORDERED pursuant to section 144 of the Act that the Cease Trade Order be and is hereby varied in order to permit the Disposition.

Dated 30th December, 2005

"Charlie MacCready"

2.2.3 Gartmore Distribution Services, Inc. - s. 211 of the Regulation

Headnote

Application in connection with application for registration as an international dealer, for an order pursuant to section 211 of the Regulation exempting the applicant from the requirement in subsection 208(2) of the Regulation that it carry on the business of an underwriter in a country other than Canada to be able to register in Ontario as an international dealer.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 100(3), 208(2), 211.

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

AND

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

AND

IN THE MATTER OF
GARTMORE DISTRIBUTION SERVICES, INC.

ORDER
(Section 211 of the Regulation)

UPON the application (the **Application**) of Gartmore Distribution Services, Inc. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for an order (the **Order**), pursuant to section 211 of the Regulation, exempting the Applicant from the requirement in subsection 208(2) of the Regulation that the Applicant carry on the business of an underwriter in a country other than Canada, in order for the Applicant to be registered under the Act as a dealer in the category of "international dealer";

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant has filed an application for registration as a dealer under the Act in the category of "international dealer" in accordance with section 208 of the Regulation. The Applicant is not currently registered in any capacity under the Act.

2. Nationwide Mutual Insurance Company and Nationwide Mutual Fire Insurance Company are mutual insurance companies in the United States and are the ultimate parent companies of, and together have ultimate control over, the Applicant.

3. The Applicant is a corporation organized under the laws of the State of Delaware, in the United States, and its principal place of business is located in Conshohocken, Pennsylvania, United States.

4. The Applicant is registered in the United States as a broker-dealer with the United States Securities and Exchange Commission and is a member in good standing of the National Association of Securities Dealers, Inc.

5. The Applicant carries on the business of a broker-dealer in the United States (as defined in sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934).

6. The Applicant does not currently act as an "underwriter" in the United States (as defined in section 3(a)(20) of the Securities Exchange Act of 1934, as amended) or in any jurisdiction outside of the United States.

7. In the absence of the relief requested in this Application, the Applicant would not meet the requirements of the Regulation for registration as an "international dealer" as the Applicant does not carry on the business of an underwriter in a country other than Canada.

8. The Applicant does not currently act as an underwriter in Ontario and the Applicant will not act as an underwriter in Ontario if it is registered under the Act as an "international dealer", notwithstanding the fact that subsection 100(3) of the Regulation provides that an "international dealer" is deemed to have been granted registration as an underwriter for the purposes of a distribution which it is permitted to make.

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

IT IS ORDERED, pursuant to section 211 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of "international dealer", the Applicant is exempt from the provisions of subsection 208(2) of the Regulation requiring that the Applicant carry on the business of an underwriter in a country other than Canada, provided that, so long as the Applicant is registered under the Act as an "international dealer":

(a) the Applicant carries on the business of a dealer in a country other than Canada; and

(b) notwithstanding subsection 100(3) of the Regulation, the Applicant shall not act as an underwriter in Ontario.

January 10, 2006

"Paul M. Moore"

"Robert W. Davis"

2.2.4 Jack Banks a.k.a Jacques Benquesus - s.127

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

AND

**IN THE MATTER OF
JACK BANKS
A.K.A. JACQUES BENQUESUS**

**ORDER
(Section 127)**

WHEREAS on March 30, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in respect of Jack Banks ("Banks") and Larry Weltman ("Weltman");

AND WHEREAS on January 8, 2003, the Commission considered and approved a settlement agreement between Staff of the Commission and Weltman;

AND WHEREAS on January 8 - 9, and February 14, 2003, a hearing before the Commission was held with respect to the allegations involving Banks;

AND WHEREAS on April 23, 2003, the Commission released its Reasons for Decision and held that Banks' conduct was contrary to the public interest;

AND WHEREAS by order dated April 23, 2003, the Commission ordered that it was in the public interest that:

(1) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of the order;

(2) pursuant to clause 6 of subsection 127(1) of the Act, Banks was reprimanded;

(3) pursuant to clause 7 of subsection 127(1) of the Act, Banks resign all positions that he holds as a director or officer of any issuer; and

(4) pursuant to clause 8 of subsection 127(1) of the Act, Banks was prohibited permanently from the date of the order from becoming or acting as a director or officer of any issuer;

AND WHEREAS by Notice of Application dated April 25, 2003, Staff of the Commission made an application pursuant to section 144 of the Act to consider whether the Commission should make an order revoking or varying the decision of the Commission In the Matter of Jack Banks a.k.a. Jacques Benquesus, dated April 23, 2003;

AND WHEREAS the section 144 hearing was heard by the Commission on June 12, 2003;

AND WHEREAS by Reasons dated June 23, 2003, the Commission dismissed the application as Banks had advised the Commission that he was not asking for any relief as he had chosen to proceed by way of appeal to the Superior Court of Justice - Ontario (Divisional Court) ("Divisional Court"). Staff was not requesting that the order dated April 23, 2003 be revoked or varied;

AND WHEREAS the appeal was heard by the Divisional Court on November 17, 2005;

AND WHEREAS by an endorsement dated November 21, 2005, the Divisional Court dismissed the appeal as to the merits. The Divisional Court allowed the appeal with respect to sanctions. The sanctions were set aside and the matter was referred back to the Commission for a new hearing on sanctions;

AND WHEREAS counsel for Banks has informed Staff that Banks waives the right to make submissions with respect to sanctions;

AND WHEREAS counsel for Banks has informed Staff that Banks consents to this Order that the Commission impose an order with respect to sanctions that is the same as the sanctions imposed by order dated April 23, 2003;

AND WHEREAS Banks waives all further rights of appeal with respect to sanctions;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

(1) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of this order;

(2) pursuant to clause 6 of subsection 127(1) of the Act, Banks is reprimanded;

(3) pursuant to clause 7 of subsection 127(1) of the Act, Banks resign all positions that he holds as a director or officer of any issuer; and

(4) pursuant to clause 8 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of the order from becoming or acting as a director or officer of any issuer.

DATED at Toronto this 10th day of January, 2006.

"Paul M. Moore"

"Robert W. Davis'

"Wendell S. Wigle"

2.2.5 Jose L. Castaneda - s. 127

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

AND

IN THE MATTER OF
JOSE L. CASTANEDA

ORDER
(Section 127)

WHEREAS on June 20, 2005, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") and Statement of Allegations pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990 c. S. 5, as amended (the "Act") in respect of Jose L. Castaneda (the "Respondent");

AND WHEREAS the pre-hearing conference was scheduled to take place on January 11, 2006, at 10:00 a.m.;

AND WHEREAS Staff and the Respondent consent to the adjournment of this matter until February 27, 2006 at 10:00 a.m.;

AND WHEREAS a temporary cease trade order was issued against the Respondent on June 7, 2005 and extended on June 20, 2005 until the hearing is concluded and a decision of the Commission is rendered or until the Commission considers appropriate;

AND WHEREAS the Commission considers it to be in the public interest to make this order;

IT IS HEREBY ORDERED that:

> The hearing is adjourned to commence February 27, 2006, at 10:00 a.m., and to continue on such further dates as may be required for the completion of the hearing as may be agreed to by the parties and fixed by the Secretary to the Commission, or as scheduled by order of the Commission.

DATED at Toronto this 11th day of January, 2006.

"Wendell S. Wigle"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Michael Anthony Tibollo a.k.a. Michelle Antonio Tibollo

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

AND

IN THE MATTER OF
MICHAEL ANTHONY TIBOLLO
A.K.A. MICHELE-ANTONIO TIBOLLO

Hearing:	August 29, 31, September 1, 2, 9, 12-14, 16, 2005.		
Panel:	Wendell S. Wigle, Q.C.	-	Commissioner (Chair of the Panel)
	Suresh Thakrar	-	Commissioner
	Paul K. Bates	-	Commissioner
Counsel:	Tracy Pratt	-	On behalf of Staff of the
	Alexandra Clark	-	Ontario Securities Commission
	Alan Lenczner	-	On behalf of the respondent

DECISION AND REASONS

OVERVIEW

A. The Allegations

[1] This is a hearing before the Ontario Securities Commission (the "Commission") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the "Act") to consider whether it is in the public interest to make an order against Michael Anthony Tibollo A.K.A. Michele-Antonio Tibollo ("Tibollo").

[2] This hearing arose as a result of a statement of allegations filed by staff of the Commission ("Staff") and a notice of hearing dated March 11, 2003, which were subsequently amended on May 21, 2004 and on August 26, 2005.

[3] The statement of allegations relates to alleged conduct that occurred between 1996 and August 1998 (the "material time"). The statement alleges that Tibollo violated securities law and acted contrary to the public interest. The allegations (the "Allegations") may be summarized as follows:

(1) Tibollo engaged in the illegal distributions, and in unregistered trading and advising of Saxton Investments Ltd. ("Saxton") securities by, among other things:

(i) Marketing and promoting the sale of the Saxton securities to the Ontario public by drafting promotional and investor relations material concerning the Saxton securities, the Saxton Group and the Cuban operations;

(ii) Soliciting the sale of, and encouraging the investment (or continued investment) in, the Saxton securities through meetings with, and presentations to, Saxton sales representatives, prospective investors and investors; and

(iii) Soliciting the sale of, and encouraging the investment (or continued investment) in, the Saxton securities by participating in trips to Cuba with salespeople and investors.

(2) Tibollo engaged in the illegal distributions and in unregistered trading of Sussex International Ltd. ("Sussex International") securities;

(3) Tibollo knew, or ought to have known, that the investing public and Saxton salespeople relied upon his representations concerning the Saxton securities and their value and the financial health, profitability, potential growth and development of the Cuban operations. His professional status and strong links with the Cuban government gave credibility to the Saxton securities and to the misleading claims that such securities were a no, or low, risk investment with significant growth potential.

[4] The August 26, 2005 amendment to the amended statement of allegations filed in 2004 resulted in the addition of the allegation that Tibollo engaged in unregistered "advising" with respect to Saxton securities.

[5] Counsel for Staff seeks an order of the Commission pursuant to sections 127 and 127.1 of the Act that:

a. trading in securities by Tibollo cease permanently or for such period as is specified by the Commission;

b. Tibollo be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as specified by the Commission;

c. Tibollo be reprimanded;

d. Tibollo be ordered to pay the costs of the Commission's investigation and the hearing; and

e. such other orders as the Commission may deem appropriate.

[6] We agreed that the parties would have the opportunity to make further submissions relevant to sanctions if this panel were to find that Tibollo has breached the Act and/or acted contrary to the public interest.

B. Tibollo

[7] Tibollo is a lawyer and business person. He was called to the Ontario Bar in 1987 and has never been registered in any capacity with the Commission.

C. The Witnesses

[8] Counsel for Staff called thirteen witnesses. These witnesses were:

- Stephen Cherniak, a chartered accountant from KPMG, who initially was the custodian for Saxton and was later appointed as the receiver for Saxton;
- Brian Crawford ("Crawford"), a chartered accountant, who was a former audit partner at BDO Dunwoody, the accounting firm that was acting as the auditors for Sussex Admiral Group;
- Robert Davies ("Davies"), a chartered accountant hired by Saxton in October 1996 to establish proper financial records for the company;
- Nick Torchetti ("Torchetti"), a securities lawyer and a partner at the Aird & Berlis law firm in Toronto who met both Tibollo and Luke McGee (see below) in 1997 to discuss securities law issues regarding Saxton; and
- Geofrey Myers ("Myers"), a partner at the Lang Michener law firm in Toronto practicing general business law, including securities law, who provided legal advice to the Saxton Group.

[9] The panel also heard from:

- Allan Dorsey ("Dorsey"), a registered salesperson and investor in Saxton;
- Larry Ayres ("Ayres"), a Saxton investor, who later became a salesperson for Saxton;
- Lawrence Hurley ("Hurley"), the president of Saxton for a two-week period in July 1998;
- Luke McGee ("McGee"), a lawyer who was called to the Ontario bar in 1993 and a member of Saxton management in late 1996 (or early 1997) who acted as an intermediary between the Cuban operations, Export Investors Group Inc. and Saxton;

- John Haverkamp, a farmer working in Ontario and an investor in Saxton who was subsequently elected to the board of directors of Saxton after the financial difficulties were discovered;
- Eric Haverkamp, an investor in Saxton;
- Ron Masschaele ("Masschaele"), an investor in Saxton who later became a salesperson for Saxton; and
- Robert Adzija ("Adzija"), a salesperson for Saxton.

[10] Counsel for Tibollo called Michael Anthony Tibollo as his only witness.

THE ISSUES

[11] This proceeding raises the following issues:

a. Did Tibollo engage in trading and advising, of Saxton securities, without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest?

b. Did Tibollo engage in trading of Sussex International securities, without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest?

c. Did Tibollo make inaccurate or misleading representations to Saxton investors and salespeople, contrary to section 38 of the Act and to the public interest?

d. Did Tibollo engage in the illegal distributions of Saxton securities and of Sussex International securities, contrary to section 53 of the Act and to the public interest?

THE DEGREE OF PROOF

[12] The burden of proof in this case is the balance of probabilities. In *Re Lett* (2004), 27 O.S.C.B. 3215 at paragraph 33, the Commission relied on *Bernstein v. College of Physicians & Surgeons (Ontario)* (1977), 15 O.R. (2d) 447 (Ont. Div. Ct.), at 470 where O'Leary J. stated:

> In all cases, before reaching a conclusion of fact, the Tribunal must be reasonably satisfied that the fact occurred, and whether the Tribunal is so satisfied will depend on the totality of the circumstances involving the nature and consequences of the fact or facts to be proved, the seriousness of an allegation made, and the gravity of the consequences that will flow from a particular finding.

[13] We will be guided by these factors in coming to our decision.

[14] At the hearing, Staff relied on some hearsay evidence which is admissible in proceedings before the Commission pursuant to section 15 of the *Statutory Powers Procedure Ac*t, R.S.O. 1990, c. S. 22, as amended. Corroboration is an important factor in assessing the weight to be given to such evidence.

PARTIES' SUBMISSIONS

A. Staff

[15] Counsel for Staff submits that Tibollo engaged in unregistered trading and advising of Saxton securities and that he extolled and emphasized the growth and the success of the Cuban operations and, by extension, the value of investing in Saxton. Hence, it is Staff's position that his actions facilitated investments in Saxton. Staff further submits that Tibollo engaged in unregistered trading of Sussex International securities by soliciting funds to finance the Cuban operations from Ontario investors.

[16] Staff submits that Tibollo made inaccurate or misleading representations to Saxton investors and salespeople. Staff submits that Tibollo knew that Saxton was communicating to investors that the so-called market value of their investment was increasing as a result of the success and profitability of the Cuban operations. Further, Staff submitted in final oral arguments that Tibollo was communicating to investors that Sussex Group Ltd. (Barbados) intended to go public and to be listed on the Alberta Stock Exchange. However, in view of the fact that this allegation was not expressly set out in the amended statement of allegations dated August 26, 2005, and the evidence before us, we cannot make any finding in support of this allegation.

[17] Staff further submits that Tibollo engaged in the illegal distributions of Saxton securities in that the distributions were abusive of the seed capital exemption, with over $36 million raised from over 800 investors using more than thirty corporate entities, all with the stated goal of funding one common enterprise. Staff submits that none of the requirements set out in paragraph 72(1)(p) of the Act were met. In particular, prospectus-level disclosure was not provided to investors as the offering memoranda were inadequate; investors were not able to properly evaluate the information provided by Saxton; selling expenses were paid in the form of commissions to salespeople; and Allan Eizenga ("Eizenga"), who was Saxton's registered director and president, acted as promoter to numerous Saxton offering corporations within the same calendar year.

[18] Staff further submits that Tibollo engaged in illegal distributions of Sussex International securities. Sussex International never filed any prospectus or preliminary prospectus with the Commission and no *Securities Act* exemption applied to the distributions.

B. Tibollo

[19] Counsel for Tibollo submits that Tibollo became president of Sussex Group Ltd. (Barbados) on November 1, 1997 and that, at that time, the equity of the company was valued at approximately $5 million. He submits that Tibollo had no involvement with the trading and advising of Saxton securities, or the trading of Sussex International securities and that Eizenga was the individual who convinced these investors to buy shares in the companies. He submits that Tibollo has never been interested in the stock market and has never owned a share of any stock.

[20] Counsel further submits that Tibollo did not trade in shares or act in furtherance of a trade as: (1) he did not intentionally recommend that anyone buy shares or securities; (2) there was no reliance by anyone on a recommendation by Tibollo to purchase shares or securities; and (3) there was no profit motive on the part of Tibollo.

[21] Counsel submits that although Tibollo attended meetings from time to time to provide a status report on the operations in Cuba as the president of Sussex Group Ltd., this activity was not an act in furtherance of a trade. Counsel argues that there is no evidence that any investor or potential investors were encouraged or advised by Tibollo to purchase Saxton securities.

[22] Counsel further submits that there is no evidence that Tibollo discussed securities with investors during a 1997 trip to Cuba, which was organized to show investors the operations there, and that Tibollo's interaction with investors during this trip did not amount to an act in furtherance of a trade.

THE LAW

Trading and Advising

[23] Staff relies on several decisions to support the position that Tibollo engaged in trading and advising of Saxton securities and in trading of Sussex International securities through conduct that fell within the definitions set out in subsection 1(1) of the Act.

[24] The definitions of the terms "trade" and "advisor" that were in effect during the material time read as follows:

> "trade" or "trading" includes,
>
> (a) any sale or disposition of a security for valuable consideration, whether the terms of payment be on margin, instalment or otherwise, but does not include a purchase of a security or, except as provided in clause (d), a transfer, pledge or encumbrance of securities for the purpose of giving collateral for a debt made in good faith,
>
> (b) any participation as a trader in any transaction in a security through the facilities of any stock exchange or quotation and trade reporting system,
>
> (c) any receipt by a registrant of an order to buy or sell a security,
>
> (d) any transfer, pledge or encumbrancing of securities of an issuer from the holdings of any person or company or combination of persons or companies described in clause (c) of the definition of "distribution" for the purpose of giving collateral for a debt made in good faith, and
>
> (e) *any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing*; ("opération"). [emphasis added]
>
> "advisor", a person…engaging in or holding himself…out as engaging in the business of advising others as to the investing in…of securities.

[25] Staff relies on *R. v. Sussman*, (1993) 16 O.S.C.B. 1209 (Prov. Ct.) where providing potential investors with subscription agreements to execute was found to fall within the definition of trading. Staff relies on *Re Guard Inc.*, (1996) 19 O.S.C.B. 3737; *Re Dodsley*, (2003) 26 O.S.C.B. 1799; and *Re First Federal Capital (Canada) Corp.*, (2004) 27 O.S.C.B. 1603, where the distribution of promotional materials concerning potential investments were found to constitute trading. Staff also relies on *Del Blanco v. Alberta (Securities Commission)*, [2004] A.J. No. 1222 (C.A.) where issuing and signing share certificates were found to constitute trading.

[26] Staff submits that conducting information sessions with groups of investors and meeting with individual investors to promote a potential investment constitutes trading. Staff relies on *Re Hrappstead*, [1999] 15 B.C.W.S 13, where the British Columbia Securities Commission (the "B.C.S.C.") had to determine whether Hrappstead's conduct constituted trading under the *British Columbia Securities Act* (the "B.C.S.A."). In considering this question, the B.C.S.C. looked at subsection 1. (1)(f) of the B.C.S.A. Subsection 1. (1)(f) is the "act in furtherance of a trade" aspect of the definition of trade, the wording of which is the same as the analogous section in the Ontario Act. In finding that Hrappstead's conduct did fall within this section, the court cited the following activities on the part of Hrappstead: (1) the preparation and dissemination of materials describing investment programs; (2) the preparation of forms of agreements for signature by investors; (3) conducting information sessions with groups of investors; and (4) meeting with individual investors.

[27] The B.C.S.C. noted that these activities would be meaningless if the intent were not to further the participation by investors in the investment program. The considerable returns claimed and Hrappstead's commission gave strong incentive to facilitate investment in the program. Hence, the B.C.S.C. found that Hrappstead's activities in connection with the investment programs constituted trades within the meaning of subsection (f) of the definition of "trade" in the B.C.S.A.

[28] Further, Staff submits that an act in furtherance of a trade does not require a completed sale of a security (see *Re First Federal Capital (Canada) Corp.* cited above; *Re Dodsley* cited above; and *Re Hrappstead* cited above).

[29] With respect to advising, Staff submits that the definition of "adviser" found at subsection 1(1) of the Act contains two distinct requirements: (1) the provision of advice concerning the wisdom or value of investing in a particular security; and (2) the provision of this advice in a manner that reflects a business purpose. Staff submits that the advice does not have to be provided while in the business of advising.

[30] Staff brought to our attention the decision of *Re Costello*, (2003) 26 O.S.C.B. 1617, where the Commission found at paragraph 28 that:

> Providing mere financial information as to specific securities does not constitute the giving of advice, but providing an opinion on the wisdom or value or desirability of investing in specific securities does.

[31] In *Re Canadian Shareowners Association*, (1992) 15 O.S.C.B. 617, the Commission stated that in assessing any information provided, the Commission must consider the credibility and qualifications of the person providing the information, as well as the total effect of the information on a prospective investor. Similarly, to determine whether advice has been given with a business purpose, the totality of the evidence must be considered. Evidence of financial benefit, such as the receipt of a commission, was found to be a useful indicator of the requisite purpose (see *Re Donas*, [1995] 14 B.C.S.C.W.S. 39).

[32] Counsel for Staff also refers to *Re Marchment & MacKay Ltd.* (1999) 22 O.S.C.B. 4705, where the Commission stated that persuading investors to remain invested in a security, when such advice is not in the investor's best interests but rather serves the interests of the promoter, may constitute conduct contrary to the public interest.

Prohibited Representations Concerning Stock Exchange Listings

[33] The purpose of the prohibition against making certain representations concerning stock exchange listings was explained by the B.C.S.C. in *Donas*, cited above. In that case, the B.C.S.C. explained that the prohibition existed to prevent a seller from holding out that, by virtue of being listed on a stock exchange, a security will soon have greater liquidity, a larger following and, possibly, higher value.

[34] Section 38(3) of the Act in effect during the material time read:

> Subject to the regulations, no person or company, with the intention of effecting a trade in a security, shall, except with the written permission of the Director, make any representation, written or oral, that such security will be listed on any stock exchange or quoted on any quotation and trade reporting system, or that application has been or will be made to list such security upon any stock exchange.

THE EVIDENCE

A. Corporate Organization

[35] The conduct that led to the statement of allegations and the notice of hearing relates to two companies: Saxton which was connected with 38 companies incorporated in Ontario and Sussex International. These entities offered securities to the Ontario public ostensibly to raise investment capital for the companies including the funding of business operations in Cuba.

Saxton

[36] Saxton was connected with a series of 38 companies that were incorporated in Ontario between January 1995 and April 1998. By July 1997, there were some 36 companies. The structure of the group was divided into the offering corporations which raised investment capital, intermediary corporations that transferred investments, and the Sussex Group as the owner and operator of the assets.

[37] Saxton's head office, where the books and records for the Saxton entities were maintained, was located initially in London and then in Burlington, Ontario. Eizenga was Saxton's registered director, president and promoter.[1] Saxton and Eizenga established numerous other corporations (the "offering corporations"). Eizenga was the promoter for each offering corporation. Rick Fangeat ("Fangeat") was the sales manager of Saxton who acted as an intermediary between Saxton's head office and several other Saxton salespeople. Fangeat was also the president and secretary of Sussex International.[2] McGee became Saxton's vice-president in 1997. Fangeat and McGee reported to, and took direction from, Eizenga. Eizenga approved all promotional and investor relations material distributed by Saxton.

The Offering Corporations

[38] Saxton Trading Corp. was the first of the companies to be incorporated by Eizenga on January 13, 1995. Saxton Trading Corp. had an offering memorandum which was used to solicit funds from Ontario investors. The corporation also had a management service agreement with Saxton, which provided Saxton with the authority to manage the investment and reinvestment of all the assets of Saxton Trading Corp.

[39] Additional companies were then incorporated on three primary occasions: July 11, 1996, March 17, 1997 and February 24, 1998. The offering corporations were incorporated pursuant to the laws of Ontario.

[40] The main function of each offering corporation was to raise funds from Ontario investors for the Sussex Group operations. Many, but not all of these corporations had offering memoranda which were used in soliciting funds. They provided very limited information about the corporations. The majority of the marketing material was done with glossy brochures describing the business operations in Cuba, none of which amounted to prospectus level disclosure.

[41] The offering corporations purported to rely on the "seed capital" exemption set out in subsection 72(1)(p) of the Act. The seed capital exemption allows a private issuer to solicit investment capital from no more than 50 prospective purchasers, provided sales are made to no more than 25 purchasers. In their purported reliance on this section, Saxton would register 25 subscribers for a corporation, at which point they would move to the next company and claim the same exemption. The sales of Saxton securities constituted trades in securities of an issuer that had not been previously issued. None of the offering corporations filed a preliminary prospectus, a prospectus, an offering memorandum, or a Form 20 with the Commission.

[42] On October 7, 1998, the Court appointed KPMG Inc. ("KPMG") as the custodian of Saxton's assets. In early 1999, KPMG reported that the offering corporations had raised approximately $37 million from Ontario investors.

Saxton's Investment Capital

[43] Certain of the funds from Saxton were dispersed to various projects, including Saxton S.A., Saxton Environmental and Saxton LMD. From time to time Saxton would also directly purchase supplies or equipment required for the distribution operations in Cuba. However, the most common transaction was to transfer funds to 1125956 Ontario Ltd., a corporation controlled by Sylvester.[3]

[1] In July of 1998, Hurley became the president of Saxton for a brief two-week period. He was asked by Fangeat, who no longer trusted Eizenga's handling of Saxton's funds, to accept this position. At that time, Eizenga advised management that information regarding the use of funds would no longer be provided. Two weeks later, Eizenga resumed control of Saxton.
[2] See testimony of John Haverkamp in transcript dated September 12, 2005 at pp. 486-487.
[3] 1125956 Ontario was a corporation controlled by Sylvester through Export Investors Group Inc. 1125956 Ontario was the conduit by which funds were supposed to flow from Saxton to either Sussex Group Bahamas or Sussex Group Barbados.

[44] Once capital was raised for the offering corporations, it would be deposited in bank accounts and within a few days would be transferred to Saxton.[4] Saxton's purpose was to be the management company within the group, receiving the funds raised from the seed capital companies and investing them in Saxton's various operations.

The Sale of Saxton Securities

[45] The offering corporations offered two investment products to the Ontario public: (a) a "GIC" which was later renamed a "Fixed Dividend Account"; and (b) an "Equity Dividend Account". An investor who purchased one of these products purchased shares in one of the respective companies.

[46] While the "GIC" promised investors an annual return of 10.25%, the Fixed Dividend Account offered investors either a 10.25% annual return for a three year term compounded or a 12% annual return for a five year term compounded. Investors in the Equity Dividend Account product were told to expect 25% to 30% annual growth and that their money was invested in the Saxton Group's operations. The rate of return on, or the growth of, their investment was purported to result from the profitability and growth of the businesses mainly from the operations in Cuba. Investments generally ranged between $10,000 and $100,000.[5]

[47] Saxton distributed quarterly account statements to all investors who purchased the Saxton securities. These account statements were created and disseminated on the instructions of Eizenga and provided comfort and confidence to the investors in the Saxton's business and on the return of their investment. Although the account statements purported to disclose an increase in the "market value" for each quarter for such securities, there were no financial statement or record of any revenue generated by the Saxton operations and no means by which Saxton could establish the net results of Saxton's Cuban or other operations. Tibollo was not involved with the production of any of these documents.[6]

Sussex International's Distribution

[48] Sussex International offered two similar investment products to the Ontario public for which investors did not receive a prospectus or an offering memorandum prior to purchasing the securities. Sussex International did not file a prospectus, preliminary prospectus, offering memorandum or a Form 20 with the Commission and no prospectus exemption was available to it.

Sussex Group

[49] Sussex Group Ltd. (Barbados) ("Sussex Group") was created in July 1997 to consolidate various operating entities in Cuba in preparation for a public offering of its securities. This occurred because once the management of the Saxton Group received legal advice relating to breaches of securities law from Richard DeVries ("DeVries"), a securities lawyer from Alberta, management attempted to effect a "reverse take-over" of Saxton, so that shareholders would have a market for their shares. This process contemplated having Saxton vend-in shares to a shell corporation listed on the Alberta Stock Exchange. However, management was unable to use Saxton Investments Ltd. as a corporate entity because of a dispute over who owned the operations in Cuba. As a result all of the Caribbean entities were consolidated and documents were signed transferring the assets in exchange for shares in the Bahamian corporation.

[50] Sussex Bahamas[7] was the owner and operator of the business assets in Cuba and the Caribbean. Although there were some business initiatives in Mexico, Argentina and India, the primary operations were in Cuba. The Cuban operations consisted mainly of supplying products for the beverage industry, including draft beer, "bag-in-the-box" drinks, coffee, milk, juice and other soft drinks. Later on in 1998, the company became involved in a joint venture with the Cuban government relating to a printing press which, once complete, was purported to be the "golden gem" of the Cuban operations.[8] The two sources of financing for the Cuban operations were funds received from either Saxton or Export Investors Group, or internally-generated funds from operations.

[4] Testimony of Davies, transcript dated September 1, 2005 at p. 187.
[5] Transcript dated September 1, 2005 at p. 187.
[6] Davies testified that the account statements were prepared by staff at Saxton Investments Limited. The process for preparing the statements was dictated by Eizenga. Davies oversaw the administrative staff who worked for Eizenga in preparing them (see transcript dated September 1, 2005 at pp. 200-201).
[7] Robert Davies testified that Sussex Bahamas was the parent company of the Cuban operations while Sussex Group Barbados was created afterwards to replace the Bahamas Company. Sussex Group Barbados operated the various Cuban and other operations (see transcript dated September 1, 2005 at p. 185).
[8] Testimony of Eric Haverkamp, transcript dated September 13, 2005 at p. 631.

Tibollo's Involvement

[51] During the material time, Tibollo was a commercial lawyer, with a practice specialized in international transactions, as well as a business consultant. Tibollo had significant connections and relationships with Cuban government officials and spoke Spanish fluently. He visited Cuba on numerous occasions on business.

[52] Tibollo met James Sylvester ("Sylvester") for the first time on a flight back from Cuba. Sylvester had two companies, Export Investors Group Inc. ("Export") and Sussex Admiral (Bahamas) Limited, which were already involved in business operations in Cuba.

[53] In January 1996, Sylvester asked Tibollo to travel with him to Elliott Lake to address the Mayor and the Council of Elliot Lake on making products that could be exported to Cuba. On that flight to Elliott Lake, Tibollo was introduced to Eizenga and Crawford. At the time, Tibollo was external corporate counsel for Sussex Admiral Group Ltd. and was also a business consultant. From January 1996 to July 1997, he provided legal services to Export and Sussex Admiral Group Ltd. as well as business consulting work through a company incorporated in Barbados called Islazul.

[54] In the fall of 1996, the relationship between Eizenga and Sylvester began to deteriorate, culminating in a falling out over corporate assets in February 1997. Tibollo was asked to act as an escrow agent and to hold the shares of Export and Sussex Admiral Group Ltd. Tibollo drafted the escrow agreement based on instructions provided by McGee and Sylvester and became escrow agent on February 11, 1997.[9]

[55] Eizenga eventually decided to combine all of the companies into a public company. He had retained DeVries, an Alberta securities lawyer, who recommended that a reverse take-over could remedy some of the securities law problems he had identified. It was contemplated that, by way of a reverse take-over, Sussex's assets would be vended into F.S.P.I Technologies Corp., an Alberta Stock Exchange listed company. Tibollo was also retained to do the paper work required to amalgamate the corporations. He drafted various agreements in June or July 1997.

[56] The amalgamation of the diverse portfolios into one entity in Barbados was completed on July 10, 1997. Eizenga and Sylvester then asked Tibollo to become the president of Sussex Group. He agreed to take on the position and asked that financial statements be prepared. From July 1997 onward, Tibollo became increasingly involved with Sussex Group.

[57] During the summer 1997, concerns were raised regarding the legality of the Saxton securities distributions and other securities law issues. In June of 1997, Tibollo and McGee met with Torchetti, a securities lawyer at the Aird & Berlis law firm. Torchetti recalled meeting with Tibollo and Tibollo's client in the spring or summer of 1997. Torchetti testified that during the meeting he identified three securities law problems at the meeting: (1) the securities had been distributed without a prospectus; (2) those who were selling the securities were not registered; and (3) there were no securities law exemptions available to cure these problems. McGee testified that Torchetti provided little advice in terms of solving the problems identified and therefore was not retained. A second opinion was sought from Lang Michener.[10]

[58] On August 7, 1997, the Saxton Group sought a legal opinion from Myers at Lang Michener. In attendance at the meeting were: Crawford, McGee, Eizenga, Fangeat, and Tibollo. The purpose of the meeting was to review the manner in which some $30-36 million dollars had been raised by the Saxton Group and to determine whether there were any concerns from a securities law point of view. At the meeting, Myers said that they had substantial problems and that the offerings were illegal public offerings. There were also discussions about tracing the funds that had been raised through the distributions as those in attendance were unable to tell Myers where the funds were located. Myers advised them that they could not raise more funds until they could demonstrate what happened to the funds they had already raised. Myers also advised that they needed to devise a strategy to resolve these issues.[11]

[59] Following the August 7, 1997 meeting, Myers provided a legal memorandum, stating that there was a substantial risk that regulators would find there had been a two-year pattern of raising money in complete disregard of the Act. The memorandum was delivered to McGee and Eizenga.[12] Crawford testified that those aware of the substance of the memorandum were: McGee, Eizenga, Fangeat, himself, and Tibollo.[13] Myers testified that the advice addressed three areas: (1) the primary area of concern was the missing funds and the need to trace these funds; (2) the second area of concern was the manner in which the funds were raised which led to the opinion that Saxton had engaged in a two-year illegal public offering; and (3) what, if anything could be done to remedy these problems.

[9] Transcript dated September 13, 2005 at p. 731.
[10] Transcript dated September 12, 2005 at pp. 595-596.
[11] Transcript dated September 12, 2005 at pp 511-516.
[12] Transcript dated September 12, 2005 at p. 537.
[13] Transcript dated August 31, 2005 at pp.116-117.

[60] In August 1997, Tibollo began receiving and disbursing Saxton funds through his trust account for Sussex Group.

[61] On November 1, 1997, Tibollo officially became the president of Sussex Group and began running the Cuban operations.[14]

[62] In early December 1997, Eizenga terminated Myers' retainer (Lang Michener) and fired both Crawford and McGee. Crawford had been retained by Saxton to advise the company on what needed to be done to take the company public while McGee, a lawyer who was the vice-president and a member of Saxton management, acted as an intermediary between the Cuban operations, Export and Saxton's investors.

[63] Rene Sorrell, a securities lawyer from McCarthy Tetrault, was retained to implement what Myers had suggested. Tibollo had two or three meetings with Sorrell, and provided him with updates on the Cuban operations and other jurisdictions. Sorrell prepared a summary that was given to all investors for a meeting that took place in London in the fall of 1998, after the OSC had stepped in.

[64] From the summer of 1998 to 2000, Tibollo continued on as the president of Sussex Group. In August 1998, Peter Lockyear ("Lockyear") of Harrison Elwood started to manage the affairs of the Saxton Group in conjunction with KPMG, the court-appointed custodian. Tibollo testified that he stayed on as president of Sussex until December 2000 because he was asked to do so by Lockyear.[15] On August 12, 1998, Tibollo also voluntarily met with Staff of the Commission. Tibollo also had several meetings with them after that.[16]

ANALYSIS

A. Did Tibollo engage in trading and advising of Saxton securities without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest?

[65] Although Staff submits that Tibollo engaged in unregistered trading and advising of Saxton securities, there is no clear evidence that Tibollo was involved in marketing and promoting the sale of these securities to the Ontario public by drafting promotional and investor relations material concerning the Saxton securities, the Saxton Group and the Cuban operations. The evidence shows that Tibollo was involved in drafting legal documents relating to the reverse take-over.

[66] There is also an allegation that Tibollo was involved in soliciting the sale of, and encouraging the investment (or continued investment) in, Saxton securities through meetings with, and presentations to, Saxton sales representatives, prospective investors and investors. During the material time Tibollo attended a number of meetings or events at which Saxton investors or prospective investors were present: (1) a meeting at Masschaele's house in February 1997; (2) a sales meeting at Saxton's head office in Burlington in May 1997; (3) a meeting at Tibollo's office on October 6, 1997; (4) a meeting with Saxton salespeople and investors on May 21, 1998; (5) a meeting at Union Golf Course in St. Thomas in July 1998; and also (6) a trip to Cuba with investors and Saxton executives in June 1997.

[67] Below is our review of the evidence regarding Tibollo's attendance at meetings with salespeople/investors and investors in 1997 and 1998.

Meetings with Saxton Sales Representatives, Prospective Investors and Investors

February 1997 Meeting at Masschaele's House

[68] There was a meeting at Masschaele's home in February of 1997. The meeting was initiated by Masschaele and Ayres for the purpose of learning more about Saxton. McGee testified that he asked Tibollo to attend to provide an update on the Cuban operations.

[69] In attendance were Tibollo, Masschaele, Marlene Masschaele, Ayres and his wife, Frank Latam ("Latam") and McGee. The evidence of Tibollo and other witnesses was that Tibollo spoke in general terms about business and investment opportunities in Cuba, the mechanics of doing business under Cuban laws, and the political situation in Cuba, as well as his own political connections, and the beverage operation. Tibollo speculated that the barriers with the U.S. would come down, and that this would probably lead to the expansion of the Cuban operation, referring to this as a "golden opportunity" to invest in the country. Witnesses did not recall Tibollo speaking about any problems or risks associated with the Cuban businesses.

[14] Transcript dated August 31, 2005 at pp. 50 and 55 and transcript dated September 13, 2005 at p. 750.
[15] Transcript dated September 13, 2005 at p. 770-771.
[16] Tibollo testified that Lockyear persuaded him to stay on as president of Sussex because he was seeking to sell the Saxton Group, and it was only with Tibollo's running the Cuban operations that the company would have any incoming cash flows. Tibollo was working with Lockyear to accomplish this goal, and was in frequent contact with him. Tibollo testified that he would speak with Lockyear once or twice a week, either in London or Toronto, and produced quarterly reports to the OSC starting on August 12, 1998.

[70] Witnesses recalled that McGee, and not Tibollo, spoke about the rate of return on the investments as being 50 cents on the dollar. Tibollo never said anything about buying or selling the securities or whether or not they could be sold.

[71] Both Masschaele and Ayres testified that following the meeting they invested more money into the company, and that the statements made by Tibollo and his presence influenced their decisions to do so. Masschaele also indicated that the statements made by Tibollo influenced his decision to become a Saxton salesperson in April of that year.

May 1997 Meeting in Burlington

[72] A sales meeting took place in May 1997 at Saxton's head office in Burlington and was attended by Tibollo, Eizenga, McGee, Fangeat, Sylvester, Latam, Adzija, Karen West, Strongolos, Ayres, Dorsey and Masschaele, along with other sales representatives and individuals from Cuba.

[73] The purpose of the meeting was to reward salespeople for their work, talk about the performance of the Cuban operations, provide projections about future performance, and encourage representatives to sell more securities.

[74] Tibollo arrived at the meeting late, having arrived directly form the airport. Tibollo did not recall giving a speech but testified that he might have answered some general questions. This testimony was consistent with the testimony of Masschaele and Ayres who recalled that Sylvester made a presentation on the operations in Cuba, but could not recall whether Tibollo spoke at the meeting.

[75] Dorsey testified that the statements made by Tibollo at this meeting and Tibollo's background, gave him confidence in the product and influenced his decision to invest in Saxton. Dorsey also testified that after the meeting he traveled to Cuba and formed some of his own impressions about Cuba and its potential. Following the meeting, Dorsey invested $20,000 in Saxton.

[76] Masschaele testified that he was impressed by the meeting and by hearing from the people doing the groundwork. In August 1997, Masschaele rolled his investments from a fixed dividend account into a straight equity account. Masschaele testified that discussions with Fangeat and Latam led him to make the conversion.

[77] Following the meeting, Ayres invested funds in Saxton and became a sales representative.

October 6, 1997 Meeting at Michael Tibollo's Office

[78] We heard evidence of a meeting at Tibollo's office on October 6, 1997. In attendance at the meeting were Tibollo, Ayres, Masschaele, Latam, Guy Fangeat, McGee and Crawford.

[79] Ayres testified that he could not recall who initiated the meeting, but stated that the purpose of the meeting was to provide an update on the Cuban operations. He testified that Tibollo's role at the meeting was to speak about the politics of Cuba, how to get things done, and the prospect of expansion if the barrier with the U.S were to come down. He testified that at various meetings Tibollo would leave the room when discussions about raising funds and selling the investment ensued, but could not recall whether on this particular occasion Tibollo was present for the entire meeting.

[80] Masschaele testified that there was some discussion about the need for additional money to expand the Cuban operations.[17] Masschaele had trouble recalling the extent of Tibollo's participation in the meeting, but indicated that it was "just more or less about the company itself. That everything down in Cuba was proceeding."

[81] Crawford stated explicitly that Tibollo never encouraged, recommended or solicited investment in Saxton.

May 21, 1998 Meeting with Saxton Salespeople/Investors

[82] We heard evidence of a meeting with Saxton salespeople and investors on May 21, 1998.
In attendance were Tibollo, Jim Tallus, Eizenga, and Towse along with most of the sales representatives, including Ayres, Masschaele, Latam, and Adzija.

[83] Ayres testified that the meeting seemed like a promotional meeting and that the tone was upbeat. According to Ayres: it "just seemed like everything was positive".[18] There was no mention of any securities law problems. Ayres recalled that there was an update on the Cuban operations and a discussion of the need for additional monies to expand the Cuban operations.[19]

[17] Transcript dated September 13, 2005 at p. 672.
[18] Transcript dated September 9, 2005 at pp. 413-414.
[19] Transcript dated September 9, 2005 at p. 414.

Ayres also testified that, generally, when it came to money discussions, Tibollo would leave the room, although he was not sure whether this occurred at this particular meeting.[20]

[84] Masschaele testified that Tibollo spoke about the expansion of the Cuban operations, and that everything looked good. The only problem discussed at the meeting was the need to straighten out some accounting paperwork before the company could go public.

July 1998 Meeting with Saxton salespeople/investors at Union Golf Course in St. Thomas

[85] There was a July 1998 meeting at the Union Golf Course in St. Thomas attended by Tibollo, along with a number of sales representatives, including Fangeat, Latam, Ayres, Masschaele and Adzija.

[86] Tibollo testified that Fangeat asked him to attend the meeting. He further testified that he provided an update on what was happening in Cuba, and immediately departed, though the meeting continued after his departure.

[87] Ayres and Masschaele testified Tibollo spoke about the printing press operation and the need for $3 to $5 million to get it going and keep it operational. They testified that, for the first time, they asked Tibollo whether he had personally invested any money in the company, and that he told them that he had not. Ayres testified that upon learning of this, he stopped raising money. Masschaele also testified that this information caused him to slow down his efforts to raise funds.

Trip to Cuba with Salespeople and Investors

[88] We now turn to the allegation that Tibollo was involved in soliciting the sale of, and encouraging the investment (or continued investment) in, the Saxton securities by participating in trips to Cuba with salespeople and investors.

Trip to Cuba – June 1997

[89] On or around June 9, 1997 the Saxton Group paid for a trip to Cuba for investors and executives of Saxton. McGee testified that this included a total of about 39 executives and investors, other than salespersons. Crawford confirmed this number, testifying that Eizenga and Sylvester each took about 6 to 10 investors with them, in addition to a group that included himself, McGee, Mr. Strongolos and Fangeat.[21] At the time of the Cuban trip Tibollo was already in Cuba on business.[22]

[90] McGee testified that the decision to bring investors down to Cuba to see the operations was a communal one that he made with Eizenga and Sylvester. Similarly, Crawford testified that he was told by Eizenga and Sylvester that the purpose the trip was to allow investors to "see that their investment dollars were actually being used in the business they invested in".23

[91] As an example of the activities during this trip, Crawford testified that some persons toured the operations and hotels, saw the brewery operations and had some business meetings involving these operations, at which Steve Smith and Jim Strongolos attended. Additionally, they discussed what would be required to take the company public.[24]

[92] Dorsey testified that during that week in Cuba, he flew to Havana and toured a variety of locations. Dorsey said their itinerary included a flight to Santiago to have lunch with Tibollo and a local Cuban official and a tour of the beer operations. Dorsey and others also went to Veradero to visit hotels that were being developed and that he was not accompanied by Tibollo during that part of the trip. Later during that week, Dorsey went to back to Havana and visited a cigar manufacturer with Tibollo. Dorsey testified that he could not recall whether Tibollo himself discussed the profitability of the Cuban operations, but that the implication was that they were doing really well. Dorsey testified that, following this trip, he had a lot more faith in the business, for which he credits "a great deal" to his interactions with Tibollo.[25]

[93] Following the trip, Dorsey personally purchased more shares in Saxton and he recommended the investment to his clients, who also purchased greater shares in Saxton.[26]

[94] Tibollo testified that during the trip he was invited to speak at the Hotel Nacionale and at a cocktail party at Sylvester's home in Cuba and that his appearance at the Hotel was a question and answer session. He testified that he did not accompany investors on a tour of the operations in Cuba.[27]

[20] Transcript dated September 9, 2005 at pp. 410-411.
[21] Transcript dated August 31, 2005 at p. 102.
[22] Transcript dated September 13, 2005 at p. 742.
[23] Transcript dated August 31, 2005 at p. 103.
[24] Transcript dated August 31, 2005 at p. 104.
[25] Transcript dated September 2, 2005 at p. 330.
[26] Transcript dated September 2, 2005 at p. 327.
[27] Transcript dated September 13, 2005 at p. 742.

[95] There was also mention of a trip to Cuba in the summer of 1998. The purpose of this trip was to provide Davies with an opportunity to gather the necessary information for the audited financial statements for the companies.[28]

B. Did Tibollo engage in trading of the Sussex International securities, without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest?

[96] Staff alleges that, in late spring 1998, Tibollo solicited funds for Sussex Group's operations through the sale to Ontario investors of shares in Sussex International. Staff relies on the evidence of a meeting at an investor's house which took place in August 1998.

[97] Further, in oral final arguments, Staff argued that Tibollo solicited funds "even outside of the Saxton channel". Regarding the latter argument, Staff relied on the evidence of a meeting in Montreal with a business person, Demetrius Manolakos.

August 6, 1998 Meeting at John Haverkamp's House

[98] A meeting took place at John Haverkamp's house on August 6, 1998. The meeting was attended by John Haverkamp, Bonnie Haverkamp, Peter Haverkamp, Eric Haverkamp, Fangeat, Latam, and Tibollo. At the invitation of John Haverkamp, Larry and Nancy Sheltro, business partners of John Haverkamp, also attended the meeting. Neither the Sheltros nor Peter Haverkamp were Saxton investors at the time of the meeting.

[99] The meeting was called by Fangeat on behalf of John Haverkamp, a Saxton investor who requested the meeting to learn more about the Cuban business.

[100] Tibollo testified that he understood that he was attending the meeting to provide updates on the operations in Cuba, and that by this time, he had a good understanding of the companies' operations. He testified that he spoke about what was happening in Cuba, who was investing there, and the types of investment opportunities people were taking advantage of in Cuba. He did not recall mentioning any requirements for monies for the printing press or talking about a general need for funds.

[101] John Haverkamp testified that Tibollo reported that the Cuban operation was progressing well and spoke about his close ties with the Cuban government. Tibollo did not mention any problems or weaknesses with the Cuban business. He testified that following the meeting, he did not remove any money from Saxton because it appeared that everything was "on-stream and it had good potential".

[102] Eric Haverkamp testified that Tibollo indicated that he was not there to speak about Saxton or its problems and that those matters were not necessarily a concern to investors or prospective investors because the Cuban operations were still very viable, and the ultimate return on investments would come from these operations. While there was no specific invitation to invest, Eric Haverkamp testified that the need for additional capital to complete the printing press was "laid before the people". Eric Havercamp had invested in Saxton and knew that Saxton was encountering serious issues before meeting with Tibollo. Eric Haverkamp testified that he knew of the risks and took them. He also testified that he knew that Saxton was no longer viable, that it had all "blown up".[29]

[103] Eric Haverkamp testified that he was impressed with Tibollo and concluded from the meeting that he still had a good probability of seeing some return on his investment. Although he did not make any additional investment in Saxton, following the meeting, his father, Peter Haverkamp, invested $70,000 in Sussex International.[30]

[104] John Haverkamp testified that he invested $25,000 in Sussex International on July 2, 1998.31 He also testified that he was introduced to Sussex International though Fangeat. He said that Sussex International was investing funds in a printing press in Havana, which was a joint venture with the Cuban government. However, he also testified that he met Tibollo for the first time on August 6, 1998, following his investment in Sussex International.[32]

[28] Davies was an accountant who joined Saxton in October 1996. Davies left Saxton for Sussex in December 1997 and worked with Jamie McPherson, an accountant retained to prepare financial statements. Davies reported to Eizenga. Although his position involved the preparation of financial statements, he lacked both instructions and the necessary information to perform his duties.
[29] Transcript dated September 13, 2005 at p. 635.
[30] Transcript dated September 13, 2005 at pp. 634-635.
[31] Transcript dated September 12, 2005 at p. 486.
[32] Transcript dated September 12, 2005 at p. 503.

Meeting with Demetrius Manolakos

[105] As to the argument that Tibollo solicited funds "even outside of the Saxton channel", at a meeting with an individual in Montreal, we note that this argument is made in connection with an allegation that had not been set out in the amended statement of allegations dated August 6, 2005.

[106] Our review of the evidence is that on April 1, 1998, Tibollo as President of Sussex Group, met with an individual named Demetrius Manolakos ("Manolakos") in Montreal. At first, Tibollo did not recall meeting with this individual, but conceded that, based on the letter, it was possible. Tibollo then confirmed that he spoke with Manolakos about the Cuban operations (the juice and beer businesses and printing press). When asked whether he suggested to Manolakos that he may wish to invest in the Cuban operations, Tibollo responded that they spoke about investment opportunities in Cuba generally.

[107] In a letter addressed to Manolakos dated April 13, 1998 Tibollo wrote:

> Given our relationships, we are confident that we can introduce you and your associates to these and numerous other investment opportunities in Cuba.

[108] Even if we were prepared to consider the evidence in support of an allegation which had not been expressly set out in the amended statement of allegations dated August 6, 2005, we find the evidence unconvincing to say the least. The evidence is neither informative of the purpose of the meeting with Manolakos nor of the nature of the funds that were allegedly being solicited by Tibollo.

Findings Regarding Trading and Advising of Saxton securities and Trading of Sussex International securities

[109] After a careful review of the evidence, we conclude that the evidence does not clearly support the allegations that Tibollo was engaged in trading and advising of Saxton securities and in trading of Sussex International securities.

[110] Unlike the circumstances in Hrappstead referred to above, Tibollo did not prepare or disseminate any materials in relation to the Saxton securities. Secondly, Tibollo did not prepare any forms of agreement for signature by investors, and was not involved in a direct way with the sale of Saxton securities. Thirdly, there is no clear evidence that Tibollo met with individual investors in a one-on-one basis to discuss the purchase or sale of securities, although he did meet in small group sessions.

[111] Fourthly, but most importantly, is the issue of Tibollo's attendance at investor and salesperson information sessions. Although Tibollo did attend information sessions for investors, his conduct can be distinguished from Hrappstead's. Hrappstead held investor information sessions where he presented attendees with lengthy information materials, which described the process by which an investment was to be made, and he no doubt actively promoted the particular investment scheme he was offering. In contrast, while Tibollo was present at various information sessions, his actions were more akin to providing advice and updates on the business operations in Cuba. Tibollo's contribution at these meetings could more properly be described as informational rather than promotional. Tibollo testified that his attendance at meetings was always to update investors and shareholders of the company.[33]

[112] We were unable to find that Tibollo solicited the sale of, and encouraged the investment (or continued investment) in, Saxton securities to Saxton sales representatives, prospective investors and investors, or that he solicited the sale and encouraged the investment in Sussex International securities. Rather, Tibollo was conducting his duties as a business consultant to Sussex Admiral through his company Islazul. Later, he served as the president of Sussex Group. These duties included providing information to investors and salespeople on the Cuban operations.

[113] Although his conduct at meetings did not amount to an "act in furtherance of a trade" or to "advising", his participation at meetings may have provided comfort to potential investors and existing investors with respect to their investment and may have facilitated the raising of the funds. Investors and salespeople may have relied on him to obtain information about the Cuban operations. It is regrettable that Tibollo did not recognize the potential impact that his activities would have on investors. It is also regrettable that Tibollo failed to address the implications that the securities law issues would ultimately have on the investors.

[114] We are of the view that, based on the evidence presented and the circumstances of this case, the information Tibollo gave to sales representatives, prospective investors and investors with respect to the business operations in Cuba did not amount to advising, trading or participating in the furtherance of a trade.

[33] Transcript dated September 13, 2005 at p. 768.

C. Did Tibollo make inaccurate or misleading representations to Saxton investors and salespeople, contrary to section 38 and to the public interest?

[115] Staff submits that Tibollo made inaccurate or misleading representations to Saxton investors and salespeople. Staff argues that by virtue of his professional credentials, the importance of his political connections in Cuba, and his integral involvement with the Cuban operations and Saxton management in Ontario, salespeople and investors relied on his representations respecting the nature and the security and value of their investment in Saxton. Staff submits that Tibollo knew that Saxton was communicating to investors that the so-called market value of their investment was increasing as a result of the success and profitability of the Cuban operations. According to Staff, these representations were false or at best extremely misleading.

[116] Further, Staff submits that Tibollo was silent when it came to discussing any difficulty with the Cuban operations and that his silence had the effect of reassuring investors. According to Staff, there was no evidence that Tibollo gave any qualifications to his representations at meetings with potential investors and investors.

[117] The evidence demonstrated that as soon as Tibollo became president, he directed that financial statements be prepared for the Cuban operations. Tibollo testified that he never saw any financial statements of Saxton nor any documents sent to Saxton investors.[34]

[118] Staff failed to establish that Tibollo knew that Sussex Group was operating at a loss. Hence, the information provided at the time to Saxton investors and salespeople by Tibollo regarding the Cuban operations did not represent inaccurate or misleading representations. As established by the evidence, the first financial statements were released on June 15, 1998. Tibollo reported in his executive summary dated September 30, 1998 that net earnings in 1998 were $139,000 and $425,000 in 1999.

[119] In light of the foregoing, we were unable to make a finding that Tibollo made inaccurate or misleading representations to Saxton investors and salespeople.

D. Did Tibollo engage in the illegal distributions of Saxton securities and of Sussex International securities, contrary to section 53 of the Act and to the public interest?

[120] Staff submits that Tibollo engaged in the illegal distributions of Saxton securities and of Sussex International securities and that the sales of shares of Saxton securities constituted trades in securities of an issuer that had not been previously issued. None of the offering corporations filed a preliminary prospectus, a prospectus, an offering memorandum, or a Form 20 with the Commission.

[121] Tibollo did not deny that he attended meetings in October and December 1997 and in the summer of 1998 with Saxton salespeople and investors to provide them with updates about the Cuban operations. However, he testified that he was not aware that Saxton was raising more funds from investors following the meeting with Myers.[35]

[122] Considering the evidence in its entirety, we are unable to make a finding that Tibollo engaged in the illegal distributions of Saxton securities and of Sussex International securities.

Conclusion

[123] Our role is not to censure or suspend Tibollo as a lawyer, nor are we to judge the adequacy of his business conduct. That was not the essence of the allegations against Tibollo; the allegations were that he engaged in illegal distributions and unregistered trading and advising. There were nevertheless some disturbing aspects to his behaviour. Although we determined that he did not solicit the sale of Saxton or Sussex International securities, he, as the president of Sussex Group from November 1997 until 2000, knew by virtue of his meetings with two lawyers in the summer of 1997, about the illegality of the sales of Saxton securities and that Eizenga had not complied with securities law in raising funds that were used for the Cuban operations.

[124] However, we are not able to conclude that his conduct amounted to acts in furtherance of a trade or that his conduct warrants us to ban him from acting as an officer or director of any company. We do not believe that the Commission is the forum to reprimand him for possible inappropriate conduct that may have been tangential to the conduct of others.

[34] Transcript dated September 13, 2005 at pp. 767-768.
[35] Transcript dated September 13, 2005 at p. 786.

[125] For the reasons discussed, we are not satisfied that:

(a) Tibollo engaged in trading and advising, of Saxton securities, without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest.

(b) Tibollo engaged in trading of Sussex International securities, without being registered with the Commission and with no available exemption from the registration requirements of Ontario securities law, contrary to section 25 of the Act and to the public interest.

(c) Tibollo made inaccurate or misleading representations to Saxton investors and salespeople, contrary to section 38 and to the public interest.

(d) Tibollo engaged in the illegal distributions of Saxton securities and of Sussex International securities, contrary to section 53 of the Act and to the public interest.

For these reasons, the Allegations against Tibollo are dismissed.

Dated at Toronto this 11th day of January, 2006.

“Wendell S. Wigle”

“Suresh Thakrar”

“Paul K. Bates”

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Elite Technical Inc.	05 Jan 06	17 Jan 06		
NHC Communications Inc.	29 Dec 05	10 Jan 06	10 Jan 2006	

4.2.1 Temporary, Permanent & Rescinding Management 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
South America Gold and Copper Company Limited	10 Jan 06	23 Jan 06			

4.2.2 Outstanding 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
ACE/Security Laminates Corporation	06 Sept 05	19 Sept 05	19 Sept 05		
Allen-Vanguard Corporation	04 Jan 06	17 Jan 06			
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
BFS Entertainment & Multimedia Limited	04 Jan 06	17 Jan 06			
Brainhunter Inc.	03 Jan 06	16 Jan 06			
Cervus Financial Group Inc.	30 Dec 05	12 Jan 06			
Fareport Capital Inc.	13 Sept 05	26 Sept 05	26 Sept 05		
Franchise Bancorp Inc.	03 Jan 06	17 Jan 06			
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 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	18 May 04	01 Jun 04	01 Jun 04		
Kinross Gold Corporation	01 Apr 05	14 Apr 05	14 Apr 05		
Novelis Inc.	18 Nov 05	01 Dec 05	01 Dec 05		

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
South America Gold and Copper Company Limited	10 Jan 06	23 Jan 06			
Straight Forward Marketing Corporation	02 Nov 05	15 Nov 05	15 Nov 05		

Chapter 6

Request for Comments

6.1.1 OSC Request for Comments 15-901 - Proposed Procedures for Opportunities to be Heard Before Director's Decisions on Registration Matters

OSC REQUEST FOR COMMENTS 15-901
PROPOSED PROCEDURES FOR OPPORTUNITIES TO BE HEARD
BEFORE DIRECTOR'S DECISIONS ON REGISTRATION MATTERS
made under the *Statutory Powers Procedure Act*

Staff of the Ontario Securities Commission is publishing for comment proposed Procedures for Opportunities to be Heard Before Director's Decisions on Registration Matters (the **Procedures**).

Introduction

The Procedures concern the exercise of opportunities to be heard before the Director (**OTBH**s) that are held at the request of an individual or firm that would be affected by a Director's decision denying or restricting registration as contemplated by subsection 26(3) of the *Securities Act*, Ontario (the **Act**). The Procedures do not address any other circumstances in which a party who may be affected by a Director's decision has a right to be heard.

Substance and Purpose

The purpose of the Procedures is to expand on practices that have been informally developed for registration OTBHs in order to ensure a consistent and open structure for their fair and efficient conduct. By adopting the Procedures, we expect to improve (i) transparency; (ii) consistency of treatment; and (iii) the streamlining of registration processes.

When staff determines that it wishes to recommend that the Director deny or restrict registration, the applicant or registrant is sent a letter that provides notice of that determination, a summary of staff's reasons and an explanation of the right to an OTBH, along with instructions as to the process for exercising that right. It is staff's intention that once they are adopted, a copy of the Procedures will also be included with the information provided to the applicant or registrant in such circumstances.

The Director at an OTBH acts in the capacity of a tribunal conducting a hearing for purposes of the *Statutory Powers Procedure Act*, Ontario (the **SPPA**). The Procedures have been made pursuant to section 25.1 of the SPPA that permits a tribunal to set its own rules for the conduct of hearings, subject to certain basic requirements set out elsewhere in the SPPA.

Staff believes that OTBHs should be readily understandable by non-specialists and produce a speedy and inexpensive decision, which can always be reviewed through the more formal process of a hearing before the Commission under s.8(2) of the Act. Accordingly, the Procedures have been made less formal in substance and presentation than the OSC Rules of Practice, which apply to hearings before the Commission, or the Rules of Civil Procedure used in actions before the courts.

Comments

There is no requirement under the SPPA that the Procedures go through a notice and comment or Ministerial review process. They will therefore be published as a Staff Notice. However, before finalizing the Procedures, staff would like to invite comments in an effort to make the Procedures as fair, efficient and clear as possible. Once they have been finalized, the Procedures will be published in both English and French, in accordance with requirements of the SPPA.

Please send your comments in writing no later than February 20, 2006. If you do not send your comments by e-mail, a diskette or CD containing the submissions (in Windows format using MS Word) should also be forwarded.

Your comments or questions may be addressed to:

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PROCEDURES FOR
OPPORTUNITIES TO BE HEARD
BEFORE DIRECTOR'S DECISIONS ON REGISTRATION MATTERS
made under the *Statutory Powers Procedure Act*

1. When These Procedures Are Used

These Procedures apply wherever subsection 26(3) of the *Securities Act* gives an applicant the right to an opportunity to be heard by the Director before the Director makes a decision concerning the applicant's registration status.

2. Who Is Involved

(a) In these Procedures,

the **"applicant"** is the individual or entity that has the right to an opportunity to be heard;

the **"Director"** is the senior employee of the Ontario Securities Commission who has been authorized to act as decision-maker for purposes of section 26 of the *Securities Act*; and

"staff" refers to employees of the Ontario Securities Commission other than the Director.

(b) The applicant may choose to be represented by a lawyer or an agent, but is not required to do so. These Procedures are intended to ensure that opportunities to be heard by the Director are handled in a way that is not unnecessarily formal, while ensuring a fair hearing. If the applicant chooses to be represented by a lawyer or an agent, staff will communicate with the applicant through the lawyer or agent.

3. Extension of Time Periods

The Director may extend any time period set out in these Procedures. If either staff or the applicant wishes to request the extension of a time period, they should send their request to the Director in writing, and copy the other party. Their request should include the reason that the extension is required.

4. Staff's Notice to Applicant

If staff recommends that the Director refuse to grant, renew, reinstate or amend the applicant's registration or if staff recommends that the Director impose terms and conditions on the applicant's registration, staff must send a letter giving the applicant notice of the recommendation and brief reasons for it. Staff must include a copy of these Procedures in the letter to the applicant.

5. Applicant's Response

(a) If the applicant wishes to be heard by the Director before a decision is made on staff's recommendation, the applicant must inform staff by letter or by e-mail. Normally, the applicant's response must be delivered within two weeks after receiving staff's letter. However, in exceptional circumstances, staff may require the applicant to respond more quickly. The time period for response will be set out in staff's letter to the applicant.

(b) If the applicant does not respond within the time set out in staff's letter, the Director will proceed to make a decision.

The rest of these Procedures describe the process to be followed if the applicant chooses to be heard by the Director.

6. Choice of Written Submissions or Appearance

(a) The opportunity to be heard will normally be conducted as an exchange of written submissions. However, either the applicant or staff may request that the opportunity to be heard be conducted as an appearance. Written submissions may be made by letter or by e-mail. An appearance means an appearance in the presence of the Director or by telephone conference or other interactive electronic means acceptable to both the applicant and staff.

(b) A request that the opportunity to be heard be conducted as an appearance must be made in writing to the Director with a brief statement of the reasons for making the request. The Director will give the other party an opportunity to object to the request before deciding whether to grant a request for an appearance.

(c) The Director may also decide on his or her own initiative that the opportunity to be heard will be conducted as an appearance, in which case the Director must promptly inform the applicant and staff of his or her decision.

7. Exchange of Written Submissions

This paragraph describes the process to be followed if the opportunity to be heard is to be conducted by exchange of written submissions.

(a) Staff must provide the applicant and the Director with a written submission setting out the facts and law supporting staff's recommendation. Normally, staff's submission must be delivered to the applicant and the Director within two weeks after staff receives notice that the applicant wishes to exercise the right to be heard. However, in exceptional circumstances, the Director may require staff's submissions to be delivered more quickly.

(b) The applicant must then provide the Director and staff with a written submission responding to staff's submissions. Normally, the applicant's submissions must be delivered within two weeks after the applicant receives staff's submission. However, in exceptional circumstances, the Director may require the applicant's submissions to be delivered more quickly.

(c) In most cases, there will only be one exchange of written submissions so that the Director is able to render a decision without unnecessary delay. However, the applicant and staff may agree to make further submissions or either of them may request that the Director allow further submissions. Any such request or agreement must be made within one week after the delivery of the applicant's submissions under (b), above.

8. Appearance Before the Director

This paragraph describes the process to be followed if the opportunity to be heard is to be conducted as an appearance.

(a) An appearance before the Director will generally be an informal proceeding. The *Ontario Securities Commission Rules of Practice* and the *Rules of Civil Procedure* do not apply to such proceedings.

(b) At the appearance, the Director may ask any question and admit any evidence which he or she sees fit, except where the evidence is subject to a legal privilege. Witnesses may be called, examined and cross-examined with the consent of the Director. The applicant and any witnesses may give evidence under oath or affirmation.

(c) The proceedings will be open to the public unless intimate financial, personal or other matters may be disclosed that, in the opinion of the Director, would outweigh the public benefit of openness in Ontario Securities Commission proceedings.

9. Director's Decision

(a) Where an opportunity to be heard has been conducted by exchange of written submissions, the Director will normally make a decision concerning staff's recommendation no more than thirty days after delivery of the final submissions of the applicant and staff. If either the applicant or staff fails to meet the deadlines for delivery of their submissions, the Director may make a decision concerning staff's recommendation without further notice or delay.

(b) Where an opportunity to be heard has been conducted as an appearance, the Director must make a decision concerning staff's recommendation no more than thirty days after the end of the appearance.

(c) The Director must provide written reasons for his or her decision to the applicant and staff as soon as reasonably possible, but need not do so at the same time as the decision is first communicated to the applicant and staff.

10. Public Record

(a) All written submissions and transcripts of appearances will be available to the public upon request, unless intimate financial, personal or other matters may be disclosed that, in the opinion of the Director, would outweigh the public benefit of openness in Ontario Securities Commission proceedings.

(b) The decision of the Director and his or her reasons for decision will be published in the *Ontario Securities*

Commission Bulletin and posted on the Ontario Securities Commission's website.

11. Right of Review

(a) The applicant has the right under subsection 8(2) of the *Securities Act* to ask the Ontario Securities Commission to review the Director's decision.

(b) A request for a review must be made by registered mail sent to the Secretary of the Ontario Securities Commission and copied to the Director within thirty days after the later of the making of the Director's decision or the issuing of reasons for the Director's decision.

(c) Applications for review are governed by Rule 9 of the *Ontario Securities Commission's Rules of Practice*. A copy of the *Rules of Practice* can be obtained from the Secretary's office or from the Ontario Securities Commission's website.

(d) If the applicant requests a review, the Director's decision will still take effect immediately after it is made unless the Commission grants the applicant a stay of the decision.

Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/21/2005	101	1208640 Alberta Ltd. - Common Shares	1,650,000.00	30,000,000.00
12/22/2005	2	4201698 Canada Inc. - Common Shares	250,000.00	88.00
12/19/2005 to 12/22/2005	122	Abbey Vista Ridge Limited Partnership - L.P. Units	6,015,486.05	1.00
12/21/2005 to 12/28/2005	35	Acadian Gold Corporation - Flow-Through Shares	435,000.24	3,289,555.00
12/21/2005 to 12/28/2005	56	Acadian Gold Corporation - Units	2,211,679.76	7,034,000.00
12/15/2005	29	Admiral Bay Resources Inc. - Units	4,893,626.40	6,273,880.00
11/21/2005 to 11/29/2005	2	Advanced ID Corporation - Units	35,239.50	200,000.00
12/28/2005	7	AeroMechanical Services Ltd. - Units	358,800.00	1,380,000.00
12/30/2005	2	AIM PowerGen Corporation - Flow-Through Shares	50,000.00	2,500.00
12/10/2005	4	Airesurf Networks Holdings Inc. - Units	40,000.00	150,000.00
05/20/2006 to 12/30/2005	22	Alberta Wind Energy Corporation - Flow-Through Shares	6,095,900.00	2,031,966.00
12/19/2005	16	Alliance Financing Group Inc - Units	216,332.90	N/A
12/30/2005	6	Allyn Resources Inc. - Common Shares	125,820.00	1,408,500.00
12/30/2005	25	Allyn Resources Inc. - Flow-Through Shares	1,226,625.00	8,177,500.00
12/30/2005	31	Anglo-Canadian Uranium Corp. - Units	825,599.40	2,751,998.00
12/22/2005	15	Antares Minerals Inc. - Units	1,733,558.20	2,476,546.00
12/21/2005 to 12/02/2005	5	Arapahoe Energy Corporation - Flow-Through Shares	1,490,000.00	1,986,667.00
12/14/2005	3	Arius Research Inc. - Common Share Purchase Warrant	2,303,600.00	2,224,125.00
12/23/2005	40	Athlone Energy Ltd. - Flow-Through Shares	1,510,600.00	2,158,000.00
12/20/2005	2	Aventine Renewable Energy Holdings, Inc. - Stock Option	11,700,003.51	20,000,000.00
11/29/2005	7	Avnel Gold Mining Limited - Units	7,936,000.00	7,936,000.00
12/19/2005 to 12/22/2005	122	AVR Debenture Corp - Debentures	1,232,113.60	1.00
01/03/2006	18	Beartooth Platinum Corporation - Units	754,500.00	7,545,000.00
12/22/2005	97	Berens Energy Ltd. - Flow-Through Shares	13,230,000.00	4,200,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/22/2005	112	Berens Energy Ltd. - Receipts	20,500,000.00	8,200,000.00
12/30/2005	25	Blackdog Resources Ltd. - Common Shares	345,000.00	690,000.00
12/15/2005	7	Blue Devil Pharmaceuticals Inc. - Receipts	2,568,380.00	472,000.00
12/28/2005	1	Blue Parrot Energy Inc. - Common Shares	840,000.00	2,000,000.00
12/29/2005	5	Bralorne Gold Mines Ltd, - Flow-Through Shares	520,000.00	433,331.00
12/21/2005 to 12/30/2005	66	Bralorne Gold Mines Ltd, - Units	4,295,085.00	N/A
12/14/2005	99	Brownstone Ventures Inc. - Units	10,000,000.00	10,000,000.00
12/29/2005 to 12/30/2005	13	Callinan Mines Limited - Units	666,225.00	1,480,500.00
12/22/2005	27	Canaco Resources Inc. - Units	375,000.00	1,250,000.00
12/06/2005 to 12/15/2005	9	Canadian Superior Energy Inc. - Flow-Through Shares	8,881,200.00	1,666,667.00
12/16/2005	31	CanAlaska Ventures Ltd. - Flow-Through Shares	2,000,000.00	5,000,000.00
12/16/2005	17	CanAlaska Ventures Ltd. - Units	500,902.67	1,353,791.00
12/29/2005	12	Cassidy Gold Corp. - Units	4,960,000.00	9,920,000.00
12/28/2005	2	Cathay Oil & Gas Ltd. - Common Shares	161,500.00	215,333.00
12/15/2005 to 12/16/2005	13	Cervus Financial Group Inc. - Debentures	6,240,000.00	6,240,000.00
12/29/2005	2	Christopher James Gold Corp. - Flow-Through Shares	540,000.00	1,350,000.00
12/29/2005	1	Christopher James Gold Corp. - Non-Flow Through Units	100,000.00	500,000.00
12/22/2005	1	CI Investments Inc. - Units	0.00	14,000,000.00
12/12/2005	5	CIC Mining Resources Limited - Units	1,992,718.00	2,846,741.00
12/13/2005	90	Delphi Energy Corp. - Common Shares	14,003,275.00	1,958,500.00
12/23/2005	148	Dentonia Resources Ltd. - Units	3,079,525.00	6,260,000.00
12/15/2005	38	Diaz Resources Ltd. - Flow-Through Shares	2,000,400.00	1,667,000.00
06/17/2005	76	DIRTT Environmental Solutions Ltd. - Common Shares	3,625,548.00	1,812,774.00
09/16/2006	21	DIRTT Environmental Solutions Ltd. - Common Shares	1,290,706.00	645,353.00
12/08/2005	97	DoveCorp Enterprises Inc. - Units	4,177,000.00	20,885,000.00
12/29/2005	20	Drake Pacific Enterprises Ltd. - Units	500,000.00	1,000,000.00
12/22/2005	15	Drilcorp Energy Ltd. - Flow-Through Shares	1,000,000.04	1,923,077.00
12/28/2005	41	Dynacor Mines Inc. - Common Shares	2,259,998.40	10,272,720.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/22/2005	53	Dyno Energy Ltd. - Common Shares	3,219,700.00	3,133,000.00
12/21/2005	3	East West Resource Corporation - Common Shares	75,000.00	100,000.00
12/19/2005	1	Echo Energy Canada Inc. - Units	312,500.00	50,000.00
12/28/2005	12	EnerGulf Resources Inc. - Units	1,329,979.00	379,994.00
03/21/2005	2	Energy Equities II, LP - L.P. Units	3,600,000.00	600.00
04/01/2005	1	Energy Equities, III LP - L.P. Units	720,000.00	120.00
12/23/2005	35	Enterprise Oil Limited - Units	500,000.00	1,000,000.00
12/29/2005	82	Equigenesis 2005 Preferred Investment LP - Units	46,494,668.00	1,306.03
12/16/2005	17	Etruscan Resources Inc. - Units	6,598,750.05	4,887,963.00
12/09/2005	2	Explor Resources Inc. - Common Shares	76,500.00	450,000.00
12/29/2005	67	Feel Good Cars Inc. - Common Shares	5,000,000.00	2,500,000.00
12/14/2005	5	Fier Temabi L.P. - Common Shares	1,500,000.00	1,500,000.00
12/22/2005 to 12/29/2005	21	First Coal Corporation - Common Shares	1,077,840.00	898,200.00
12/02/2005 to 12/23/2005	2	First Leaside Opportunities Limited Partnership - L.P. Units	154,781.00	132,870.00
12/28/2005 to 12/30/2005	9	First Leaside Enterprises Limited Partnership - L.P. Units	701,992.00	602,103.00
12/14/2005 to 12/23/2005	16	First Leaside Enterprises Limited Partnership - L.P. Units	1,256,332.00	1,256,332.00
12/28/2005 to 12/30/2005	11	First Leaside Expansion Limited Partnership - L.P. Units	526,000.00	526,000.00
12/13/2005 to 12/23/2005	6	First Leaside Expansion Limited Partnership - L.P. Units	256,318.00	256,318.00
12/28/2005 to 12/30/2005	5	First Leaside Growth Limited Partnership - L.P. Units	916,000.00	916,000.00
12/21/2005	2	First Leaside Growth Limited Partnership - L.P. Units	125,000.00	125,000.00
12/04/2005	1	First Leaside Spring Valley Limited Partnership - L.P. Units	10,121.00	5,000.00
12/19/2005 to 12/28/2005	22	Fisgard Capital Corporation - Common Shares	684,516.53	399,715.00
12/21/2005	35	Flagship Energy Inc. - Common Shares	5,175,100.00	739,300.00
11/04/2005	5	Frontier Alt Investment Management Corporation - Debentures	265,000.00	115,000.00
12/20/2005	111	Goldsource Mines Inc. - Units	978,000.00	1,630,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/21/2005	7	Grand Banks Energy Corporation - Common Shares	3,340,000.00	1,670,000.00
12/20/2005	125	Great Panther Resources Limited - Common Shares	5,020,016.00	8,096,800.00
12/21/2005	42	Groove Media Inc. - Common Shares	12,456,252.59	6,638,342.00
12/14/2005	8	Hawk Precious Minerals Inc. - Common Shares	563,900.00	1,560,000.00
12/14/2005	6	Hawk Precious Minerals Inc. - Flow-Through Shares	390,000.00	N/A
12/22/2005	63	Highview Resources Ltd. - Flow-Through Shares	2,195,465.00	11,842,105.00
12/22/2005	9	Highview Resources Ltd. - Units	1,000,000.00	6,250,000.00
12/30/2005	1	Hinterland Metals Inc. - Flow-Through Shares	220,000.00	2,200,000.00
05/31/2005	2	Homeland Security Technology Corporation - Stock Option	204,138.18	163,180.00
06/01/2005	1	Homeland Security Technology Corporation - Stock Option	4,797,000.00	85,736.00
08/03/2005	9	Homeland Security Technology Corporation - Stock Option	1,734,447.00	483,333.00
12/21/2005	33	Hyduke Energy Services Inc. - Units	10,002,700.00	4,349,000.00
12/15/2005 to 01/04/2006	5	IsoRay Medical Inc. - Units	105,522.50	4.50
12/23/2005	91	Jovian Capital Corporation - Common Shares	17,850,000.40	21,000,000.00
12/14/2005	8	J.L. Albright IV Parallel Venture Fund L.P. - L.P. Units	16,990,000.00	16,990.00
12/14/2005	13	J.L. Albright IV Venture Fund L.P. - L.P. Units	64,077,778.00	64,077.78
12/30/2005	2	J.P. Morgan European Pooled and Direct Corporate Finance Institutional Investors III LLC - Units	20,923,600.00	N/A
12/30/2005	1	J.P. Morgan Pooled Venture and Direct Venture Capital Institutional Investors III LLC - Units	14,450,000.00	N/A
05/30/2005	2	J.P. Morgan U.S. Pooled and Direct Corporate Finance Institutional Investors III LLC - Units	51,326,400.00	N/A
12/15/2005	3	Kingwest & Company - Units	25,500.00	N/A
12/20/2005	54	Kobex Resources Ltd. - Common Shares	3,945,900.00	3,758,000.00
12/21/2005	28	Longford Corporation - Units	1,065,000.00	1,400,000.00
12/22/2005 to 12/29/2005	169	Macro Acquisitions Inc. - Receipts	18,001,375.00	10,128,500.00
12/23/2005	29	Mantle Resources Inc. - Units	2,000,000.00	2,500,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
11/07/2004 to 12/03/2004	1	MBS Investment Trust - Trust Units	28,496,710.56	2,369,640.00
12/20/2005	12	Member Partners' Consolidated Properties Limited Partnership - L.P. Units	620,000.00	620,000.00
12/21/2005	15	Mesa Uranium Corp. - Common Shares	1,611,861.00	2,014,826.00
12/21/2005	103	Mesa Uranium Corp. - Units	2,959,500.00	5,919,000.00
12/22/2005	6	METCONNEX Canada INC. - Preferred Shares	2,347,746.89	4,698,106.00
12/22/2005	2	METCONNEX INC. - Stock Option	5.48	4,698,106.00
12/14/2005	36	Millennium Biologix Corporation - Units	15,143,250.00	60,573,000.00
12/23/2005	1	NeuroLanguage Corporation - Notes	675,000.00	N/A
12/12/2005	317	Newport Partners Income Fund - Debentures	85,000,000.00	0.08
12/21/2005	23	NIR Diagnostics Inc. - Debentures	834,400.00	8,344.00
12/29/2005	1	Nordic Oil and Gas Ltd. - Units	169,670.00	424,175.00
12/21/2005	20	Northwestern Mineral Ventures Inc. - Flow-Through Shares	1,524,599.05	1,707,665.00
12/16/2005	4	Objectworld Communications Corp./Communications Objectmonde Corp. - Preferred Shares	6,000,000.00	6,666,664.00
12/30/2005	27	Orphan Boy Resources Inc. - Units	607,074.00	1,734,499.00
12/15/2005	6	Osisko Exploration ltee - Units	2,263,625.00	3,482,500.00
12/22/2005	47	Osisko Exploration ltee - Units	2,330,250.00	3,585,000.00
10/31/2006	182	Panterra Drilling Income Trust - Trust Units	118,300.00	18,200.00
12/15/2005	44	Panterra Resources Corp. - Flow-Through Shares	1,980,000.00	7,920,000.00
12/15/2005	33	Panterra Resources Corp. - Non-Flow Through Units	119,240.00	8,462,000.00
12/23/2005	69	Peregrine Holdings Ltd. - Warrants	50,000,000.00	10,000,000.00
12/22/2005	1	Phoenix Equity Partners 'A' - L.P. Interest	157,387,500.00	75,000,000.00
01/05/2006	33	Qualia Real Estate Investment Fund V Limited Partnership - Units	1,950,000.00	39.00
12/15/2005	2	Queenston Mining Inc. - Flow-Through Shares	1,500,000.00	1,500,000.00
12/15/2005	9	Quinto Technology Inc. - Flow-Through Shares	1,748,999.70	2,498,571.00
12/19/2005	36	Rainy River Resources Ltd. - Flow-Through Shares	1,000,000.00	1,250,000.00
12/02/2005	1	Real Assets US Social Equity Index Fund - Units	4,576.00	N/A
12/22/2005	1	Regis Resources Inc. - Flow-Through Shares	100,000.00	833,333.00
12/22/2005	32	Sabina Silver Corporation - Common Shares	2,354,000.00	N/A
12/29/2005	81	San Gold Resources Corporation - Units	2,357,315.20	4,533,296.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/20/2005	1	Seymour Exploration Corp. - Common Shares	0.00	500,000.00
12/22/2005	25	Seymour Exploration Corp. - Flow-Through Shares	1,400,000.00	6,450,000.00
12/29/2005	27	Shear Minerals Ltd. - Common Shares	1,449,799.20	4,832,664.00
12/23/2005	53	Silver Quest Resources Ltd. - Flow-Through Shares	2,419,099.50	1,965,000.00
12/23/2005	61	Silver Quest Resources Ltd. - Units	2,643,099.30	6,190,331.00
12/29/2005	1	Skywave Mobile Communications Inc. - Option	491,228.00	372,368.00
12/22/2005	3	Software Innovations Inc. - Debentures	3,500,000.00	3,500,000.00
12/15/2005 to 12/21/2005	1	Spansion Inc. - Common Shares	70,170.00	5,000.00
12/22/2005	148	Sparkle Income Fund - Trust Units	103,600.00	148,000.00
12/23/2005	14	Sparta Capital Ltd. - Units	150,000.00	1,500,000.00
12/28/2005	27	Strategic Metals Ltd. - Flow-Through Shares	560,000.00	4,000,000.00
12/21/2005	30	Strategic Oil and Gas Ltd. - Flow-Through Shares	800,000.00	1,454,546.00
12/15/2005	3	Stripes Acquisition LLC and Susser Finance Corporation - Notes	2,917,000.00	2,500.00
12/22/2005	10	Supratek Pharma Inc. - Debentures	4,720,480.00	4,041,064.00
12/16/2005	1	Sydney Resource Corporation - Common Shares	34,500.00	75,000.00
12/28/2005	1	Sydney Resource Corporation - Common Shares	22,575.00	52,500.00
12/15/2005	11	Tahera Diamond Corporation - Flow-Through Shares	9,000,004.00	13,235,300.00
12/20/2005	81	Temple Energy Inc. - Flow-Through Shares	9,000,000.00	3,000,000.00
12/20/2005	66	Temple Energy Inc. - Warrants	2,171,893.50	1,214,000.00
12/22/2005	49	Terra 2005 Mining Flow-Through Limited Partnership - L.P. Units	1,411,000.00	1,411.00
12/22/2005	41	Terra 2005 Oil & Gas Flow-Through Limited Partnership - L.P. Units	956,000.00	956.00
12/23/2005	1	Terrawinds Resources Corp. - Common Shares	69,081,257.00	69,801,257.00
10/31/2005	1	The Trustee Board of The Presbyterian Church in Canada - Units	41,999.64	4.00
12/21/2005	1	Timbercreek Real Estate Investment Trust - Trust Units	2,899,997.34	297,741.00
12/14/2005	22	Tiomin Resources Inc. - Units	5,659,159.96	15,717,111.00
12/30/2005	5	Trade Winds Ventures Inc. - Flow-Through Shares	1,000,000.00	1,666,665.00
12/22/2005	60	Trafina Energy Ltd. - Common Shares	3,487,200.00	1,111,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
12/20/2005	17	Trigon Exploration Canada Ltd. - Common Shares	1,124,948.00	5,113,400.00
12/13/2005	1	Tyhee Development Corp. - Units	19,800.00	165,000.00
12/23/2005 to 12/30/2005	20	Unitech Energy Corp. - Flow-Through Shares	462,500.00	2,312,500.00
12/23/2005 to 12/30/2005	18	Unitech Energy Corp. - Units	279,899.82	1,554,999.00
12/08/2005	30	UTS Energy Corporation - Common Shares	8,200,005.00	1,490,910.00
12/23/2005	1	VentureLink L.P. - Loans	14,000,000.00	N/A
12/30/2005	11	Viva Source Corp. - Warrants	164,000.00	315,000.00
12/29/2005	27	Vulcan Minerals Inc. - Units	1,985,000.00	4,962,500.00
12/29/2005	4	Vulcan Minerals Inc. - Units	400,750.00	1,145,000.00
12/28/2005	61	Watch Resources Ltd. - Flow-Through Shares	3,458,650.00	13,834,600.00
12/20/2005	24	Western Uranium Corporation - Units	6,250,000.00	50,000,000.00
12/14/2005	45	Whiterock Real Estate Investment Trust - Trust Units	16,319,597.50	16,319,597.50
12/28/2005 to 12/30/2005	44	Wimberly Apartments Limited Partnership - L.P. Units	7,481,846.00	9,513,298.00
12/14/2005 to 12/23/2005	11	Wimberly Apartments Limited Partnership - L.P. Units	1,621,686.00	1,504,007.00
12/22/2005 to 12/30/2005	150	Win Energy Corporation - Warrants	12,130,400.00	6,065,200.00
12/28/2005	1	Z-Tech (Canada) Inc. - Warrants	-1.00	N/A
12/20/2005	45	Zenas Energy Corp. - Flow-Through Shares	10,080,000.00	1,600,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Acadian Timber Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated January 4, 2006
Mutual Reliance Review System Receipt dated January 4, 2006
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Desjardins Securities Inc.
Trilon Securities Corporation
Promoter(s):
Fraser Papers Inc.
Project #871306

Issuer Name:
Addax Petroleum Corporation
Principal Regulator - Alberta
Type and Date:
Amendment #1 dated January 5, 2006 to the Amended and Restated Preliminary PREP Prospectus dated December 6, 2005
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Peters & Co. Limited
Promoter(s):
-
Project #867623

Issuer Name:
Holloway Capital Corporation
Principal Regulator - Nova Scotia
Type and Date:
Preliminary CPC Prospectus dated January 4, 2006
Mutual Reliance Review System Receipt dated January 6, 2006
Offering Price and Description:
Minimum Offering: $500,000.00 (2,500,000 Common Shares); Maximum Offering: $1,000,000.00 (5,000,000 Common Shares) Price: $0.20 per Common Share; Minimum Subscription: $200 (1,000 Common Shares)
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #876540

Issuer Name:
Interim Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated January 4, 2006
Mutual Reliance Review System Receipt dated January 6, 2006
Offering Price and Description:
Minimum Offering: $200,000.00 (1,000,000 Common Shares); Maximum Offering: $250,000.00 (1,250,000 Common Shares) Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Kirk E. Exner
Project #876702

Issuer Name:
LAURENTIAN BANK OF CANADA
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated January 5, 2006
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
$* - *% Debentures, Series 10, due 2016 (subordinated indebtedness)
Price: *% (to yield initially *% per annum)
Underwriter(s) or Distributor(s):
Laurentian Bank Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #876329

Issuer Name:
Stone 2006 Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated January 9, 2006
Mutual Reliance Review System Receipt dated January 9, 2006
Offering Price and Description:
$50,000,000.00 (Maximum Offering); $5,000,000.00 (Minimum Offering)
Maximum of 2,000,000 and Minimum of 200,000 Units
Subscription Price: $25 per Unit
Minimum Subscription: 100 Units
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Wellington West Capital Inc.
BMO Nesbitt Burns Inc,
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Berkshire Securities Inc.
Blackmont Capital Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
Stone Asset Management Limited
Project #876818

Issuer Name:
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated January 5, 2006
Mutual Reliance Review System Receipt dated January 6, 2006
Offering Price and Description:
$4,000,000,000.00 - Debt Securities (subordinated indebtedness) Common Shares - Class A Preferred Shares - Class B Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #872357

Issuer Name:
Canadian Medical Discoveries Fund II Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Prospectus dated December 21, 12005, amending and restating the Prospectus dated December 21, 2005
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
Class A Shares - Offering Price Net Asset Value for Class A Shares
Minimum Initial Subscription $1,000.00 Minimum Subsequent Subscription $500
Underwriter(s) or Distributor(s):
-
Promoter(s):
PIPSC Sponsor Corp.
Project #843487

Issuer Name:
Counsel Select America
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated December 22, 2005 to Final Simplified Prospectus dated May 27, 2005
Mutual Reliance Review System Receipt dated January 4, 2006
Offering Price and Description:
Series A Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Counsel Group of Funds Inc.
Project #769651

Issuer Name:
CPVC Blackcomb Inc.
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated December 22, 2005
Mutual Reliance Review System Receipt dated January 4, 2006
Offering Price and Description:
$590,000.00 - 1,180,000 common shares Price: $0.50 per common share
Underwriter(s) or Distributor(s):
Versant Partners Inc.
Promoter(s):
Alain Lambert
William L. Hess
Robert Brown
Project #867685

Issuer Name:
Dynamic Venture Opportunities Fund Ltd.
Type and Date:
Final Prospectus dated January 2, 2006
Receipted on January 4, 2006
Offering Price and Description:
Class A Shares, Series II
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #859332

Issuer Name:
New Generation Biotech (Equity) Fund Inc.
Type and Date:
Final Prospectus dated December 28, 2005
Receipted on January 4, 2006
Offering Price and Description:
Class A Shares, Series II and Class A Shares, Series III
Underwriter(s) or Distributor(s):
TD Securities Inc.
Promoter(s):
CFPA Sponsors Inc.
Project #860033

Issuer Name:
Sprott Growth Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus and Annual Information Form dated December 15, 2005
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
Series A, I and F Units
Underwriter(s) or Distributor(s):
Sprott Asset Management Inc.
Promoter(s):
Sprott Asset Management Inc.
Project #733964

Issuer Name:
TD Income Trust Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form (NI 81-101) dated January 3, 2006
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
TD Asset Mangement Inc.
Project #860635

Issuer Name:
Vasogen Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated January 5, 2006
Mutual Reliance Review System Receipt dated January 5, 2006
Offering Price and Description:
US$100,000,000.00 - Common Shares - Debt Securities - Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #872593

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Morgan Joseph & Co.	International Dealer	January 5, 2006
New Registration	Carpus Capital Inc.	Investment Counsel and Portfolio Manager	January 5, 2006
New Registration	Direct Trading Institutional, L.P.	International Dealer	January 5, 2006
New Registration	EACM Advisors LLC	International Dealer	January 6, 2006
Change in Category	Aurion Capital Management Inc.	From: Investment Counsel & Portfolio Manager To: Investment Counsel & Portfolio Manager and Limited Market Dealer	January 4, 2006
New Registration	Jensen Investment Management Inc.	International Adviser (Investment Counsel & Portfolio Manager)	January 6, 2006
Change of Name	From: TAL Global Asset Management Inc. / TAL gestion globale d'actifs inc. To: CIBC Global Asset Management Inc. / Gestion global d'actifs CIBC inc.	Limited Market Dealer and Investment Counsel & Portfolio Manager & Commodity Trading Manager	December 19, 2005
Change of Name	From: Quellos Brokerage Services, LLC To: CFT Securities, LLC	International Dealer	December 30, 2005
New Registration	Symphony Asset Management, LLC	International Adviser	January 10, 2006

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Regulation 100.2(f)(i) Margin Treatment of CNQ Exchange Traded Securities - Withdrawal of Proposed Rule Amendment

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATION 100.2(F)(I) - MARGIN TREATMENT OF CNQ EXCHANGE TRADED SECURITIES

WITHDRAWAL OF PROPOSED RULE AMENDMENT

I Overview

On June 25, 2004, the Ontario Securities Commission published for comment a proposed rule amendment that would specifically deny margin eligibility to positions in Canadian Trading and Quotation System Inc. (CNQ) exchange listed securities.

II Withdrawal

The Association has informed the Canadian Securities Administrators that the Association has withdrawn the proposed rule amendment. In its place, the Association has submitted, as part of a set of proposals seeking to adopt a new methodology for the margining of equity securities, a proposed rule amendment that would deny margin eligibility to positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time.

Questions may be referred to:

Richard J. Corner
Vice President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6908

13.1.2 IDA Proposed New Methodology for Margining Equity Securities - Regulation 100 and Form 1

INVESTMENT DEALERS ASSOCIATION OF CANADA –
PROPOSED NEW METHODOLOGY FOR MARGINING EQUITY SECURITIES –
REGULATION 100 AND FORM 1

I OVERVIEW

When a margin rate for a security is established, it is intended that it is sufficient to cover the risk of loss associated with the security, specifically market risk. The existing methodology for determining a listed equity security's margin rate is based on its market price per share.

A CURRENT RULES

The existing capital and margin requirements for equity securities and related derivatives are set out in IDA Regulation 100. These rules specify that:

- For listed and unlisted equity securities, the margin rates be based on the individual security's market price per share; and

- For related derivatives, the margin rates for the underlying equity security be used in determining the margin requirement.

The existing rules also set out a series of "strategy-based" rules that are available for offset positions held in both Member firm and customer accounts. These strategy-based offset rules allow for a lowering of the margin requirement associated with two or more positions related to the same underlying security where the positions in combination result in lower market risk.

B THE ISSUE

Studies undertaken by Association staff, indicate that market price per share is not an accurate indicator of a listed equity security's market risk. While determining margin rates on this basis may be operationally easy to apply, its use has resulted in margin deposits and "strategy-based" margin rules that do not reflect the true economic risk of positions in and offsets involving equity securities. To address these issues, the FAS Capital Formula Subcommittee reviewed various methodologies with the requirements that the methodology selected would have to accurately track an individual security's market risk by measuring both price risk and liquidity risk, and be reasonably simple to implement both from an operational and investor education standpoint.

C OBJECTIVE(S)

The new margin rate approach selected, referred to as the "basic margin rate" methodology, is essentially a methodology for determining a customized margin rate for each listed equity security. The objective of this methodology (set out in Attachments #1 - board resolution, #2 - clean copy and #3 - black-line copy) is to determine an overall margin rate for each equity security that will more accurately address its market risk. The proposed methodology will replace the existing market price per share based rates as the standard margin rate methodology to be used by all Members and their customers for all Canadian and U.S. listed equity securities. The proposed methodology will determine the appropriate margin rate based on the two components of an individual security's market risk: (i) price risk and (ii) liquidity risk. The proposed methodology is set out in Regulation 100.2(f) as amended.

The objective of the accompanying amendments is to accommodate the elimination of both the market price per share margining methodology and the list of securities eligible for reduced margin. Changes have also been proposed to the margin requirements for convertible debentures and convertible preferred shares to make the requirements more consistent with those for related debt and equity securities of the same issuer.

The proposed amendments are set out in Attachments #1 (board resolution), #2 (clean copy) and #3 (black-line copy).

D EFFECT OF PROPOSED RULES

The effect of these proposals could be significant both in terms of member versus non-member competition and operations/compliance costs. The effect of these proposals on the listed equity markets generally is expected to be neutral to positive based on the previous experience with implementing the List of Securities Eligible for Reduced Margin in August 2000 and the results of six years of market impact test work performed.

Member versus non-member competition

The existing market price per share based margin rates have been around for several decades. During this period more sophisticated and less conservative risk measurement philosophies have been developed and adopted by other financial institution regulators and derivatives clearing corporations. The use of these new risk measurement philosophies has made it less attractive, from a capital usage standpoint, for Canadian securities dealers to maintain their equity securities trading positions on the books of the dealer. Many have opted to move these positions to a related bank[1] or to a related foreign securities dealer[2], where the capital requirements are less onerous. The following is a summary of the current Association requirements and some of the risk measurement alternatives that are available with respect to the margining of positions in and offsets involving listed equity securities, some of which the Association has already adopted:

	Basic IDA requirements	**Alternative requirements** (current, proposed and under consideration)
Margin requirements that apply to **unhedged** positions	• Market price per share based margin rates	• Proposed "basic margin rate" methodology based on measured market risk *(this proposal)* • VaR modeling *(see VaR modeling proposal)* • TIMS or SPAN for positions in and offsets involving exchange-traded derivatives *(implemented as an option on January 1, 2005 through establishment of IDA Regulation 100.10(k))* • Position Risk Requirement or similar portfolio margining approach
Margin requirements that apply to **hedged offset** positions	• "Strategy-based" requirements	• Enhanced "strategy-based" rules of more general application *(implemented on January 1, 2005 as a result of extensive rewrite of IDA Regulations 100.9 and 100.10)* • VaR modeling *(see separate VaR modeling proposal)* • TIMS or SPAN for positions in and offsets involving exchange-traded derivatives *(implemented as an option on January 1, 2005 through establishment of IDA Regulation 100.10(k))* • Position Risk Requirement or similar portfolio margining approach

The intention of the proposed move to the "basic margin rate" methodology is to adopt a more sophisticated risk measurement philosophy without introducing undue complexity to Member firms and their clients. As a result, the "basic margin rate" methodology, as its name suggests, will be a relatively simple margining approach that will be used:

- By Member firms with relatively small proprietary trading books or books that utilize straightforward hedging strategies; and
- To margin retail customer account positions.

A by-product of adopting this approach will be to remove some of the existing conservatism in the margin rates that apply to listed equity securities, which will in turn positively impact member versus non member competition in the area of proprietary trading.

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1 Canadian banks are permitted to use Value at Risk (VaR) modeling to determine the capital requirements on their equity securities trading book.

2 United Kingdom securities dealers are permitted to use the Position Risk Requirement (PRR) approach to margining their equity securities trading book, which is a portfolio risk approach.

Operations costs/impacts

During the development of this proposal, efforts were made to address the operations cost concerns with respect to implementing this methodology. To help address these concerns Association staff will calculate margin rates under this new methodology centrally. Once calculated, the rates will be made available electronically to all Members in a downloadable form such that where "table driven" software is utilized, little or no modifications will be required to be made to margining systems to use this new methodology.

It is likely that there will be operational impacts of this proposal upon implementation. Studies performed over a six year period (see Attachment #4) indicate that an average of in excess of 90% of the securities listed on the Toronto Stock Exchange will experience a margin rate change on the date this proposal is implemented.

Once the proposal is implemented, operational impacts of this proposal will be less significant. Studies performed over a six year period (see Attachment #4) indicate that an average of approximately 70% of the securities listed on the Toronto Stock Exchange will not experience a period to period margin rate change at any given time.

Effect on the listed equity markets generally

In terms of the specific capital market effects of using the proposed "basic margin rate" methodology, we believe the overall effects will be either neutral or positive. The quarterly List of Securities Eligible for Reduced Margin (LSERM) has been prepared using this methodology for approximately five years and the methodology is performing well with this select group of securities. The only concerns received to date from Members is that the list should be prepared on a more timely basis after each quarter end[3] and that they be notified in advance of any securities with margin rate increases[4]. We've received relatively few complaints from the investing public. We are aware of no significant market effects resulting from the introduction of the LSERM.

We believe the specific effects of moving to the "basic margin rate" approach for all Canada and United States listed equity securities are:

- Likely to be positive in terms of reduced proprietary inventory requirements (estimated capital savings are between $200 to $300 million for the industry based on equity levels held on Member firm proprietary accounts as at December 31, 2004); and

- Likely to be neutral or positive in terms of increased customer margin account loan values (estimated at $500 million for the industry based margin loan levels as at December 31, 2004), depending upon whether Member firms adjust their house rates to pass along a reduced margin requirements to their retail customers.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED AMENDMENTS

PRESENT RULES

The existing margin requirements for equity securities are set out in IDA Regulation 100. The requirements permit that regulatory value be extended to equity securities of issuers that meet basic financial solvency requirements (such as adequate minimum pre-tax profit, net tangible asset and working capital requirements). As the issuers of most unlisted equity securities are not subject to ongoing financial solvency requirement reviews[5] they are not generally extended regulatory value. Listed equity securities are generally extended regulatory value with the exception of TSX Venture Exchange Capital Pool Company listings and TSX Venture Exchange NEX Board listings, market tiers which do no have adequate initial and ongoing financial listing standards.

The requirements specify that the margin rates for equity securities be based on the market price per share of the security being margined. Further, in the case of related equity derivative instruments, that the margin requirements be based on the requirements for the underlying equity security. In the case of offsets involving equity securities, the current rules also set out a series of "strategy-based" offset rules that are available to both a Member firm and its customers. These offset rules allow for a

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[3] Currently it takes Association staff about five weeks to prepare this list as the current process for preparing the list is largely a manual process. This time period will be shortened considerably once our in house Equity Margin Program, software designed to calculate margin rates on an automated basis, is put into production.

[4] This concern has already been addressed to some extent as it is current practice to inform Members ten business days in advance of any margin rate increases resulting from the publication of the quarterly List of Securities Eligible for Reduced Margin.

[5] The exceptions are securities quoted on the Nasdaq National Market® and The Nasdaq SmallCap Market℠ and other senior unlisted securities of issuers for which there is a related junior listed security.

lowering of the margin requirement associated with two or more positions related to the same underlying security where the positions in combination represent a lower market risk.

PROPOSED AMENDMENTS – DETAILS OF "BASIC MARGIN RATE" METHODOLOGY

To measure both price risk and liquidity risk and arrive at a customized margin rate for each security, the FAS Capital Formula Subcommittee has developed a methodology whereby:

(i) the price risk component of market risk is determined for each individual security based on historic price volatility measures;

(ii) the liquidity risk component of market risk is determined for each individual security based on average traded volumes and public float values; and

(iii) a custom margin rate is determined for each individual security by adding together the price risk and liquidity risk components calculated in (i) and (ii) above.

Price risk calculation

It is proposed that price risk will be estimated using historical price volatility measures and will be calculated using the simplifying assumption that prices are normally distributed. The security's price volatility will be calculated for 20, 90 and 260 trading day periods and the greatest of these three calculations will be used as an estimate of the current price volatility. A margin interval will be calculated for the security based on the price volatility calculated and the number of days of price risk coverage required. The number of days coverage is dependent on the relative liquidity of the security. Rather than publishing the exact calculated margin interval as the margin rate to be used for each security, margin rate categories will be used. There will be eight categories (15%, 20%, 25%, 30%, 40%, 60%, 75% and 100%) for Member firm long positions and six[6] categories (25%, 30%, 40%, 60%, 75% and 100%) for customer long positions. An additional 150% margin rate category is proposed for Member firm and customer short positions.

Liquidity risk calculation

It is proposed that an individual security's liquidity risk will be determined by its average daily traded volume and dollar value of public float. As the measurement of liquidity risk is not an exact science, other liquidity risk measures such as daily turnover percentage[7] could have been used as risk parameters. Average daily traded volume and dollar value of public float were selected as liquidity risk parameters as, based on our studies, they provided the best means to delineate highly liquid from less liquid issues[8].

The assessment of liquidity risk is important because any margin rate set must be sufficient to cover price risk over the period of time it might take to liquidate a security position. The proposal sets out four liquidity levels that will in turn be used to determine liquidity risk: "higher than typical", "typical", "lower than typical" and "low" as follows:

- A security whose liquidity is determined to be "higher than typical" will require fewer days coverage than normal and, as a result, a price risk margin interval will be calculated to yield either two or three business days price risk coverage;

- A security whose liquidity is determined to be "typical" will require four business days price risk coverage;

- A security whose liquidity is determined to be "lower than typical" will result in either a specific liquidity premium being added in the determination of the overall margin rate or in the overall margin rate being set at 75% for that security; and

- A security whose liquidity is determined to be "low" will attract either a 75% or 100% margin rate depending upon whether or not the issuer's dollar value of public float level is in excess or $5 million.

"Basic margin rate" proposal general assumptions

The proposal also includes some general assumptions that will be used in the determination of a security's margin rate under the "basic margin rate" methodology as follows:

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6 A seventh category, a 20% margin rate category, may be used for client security positions where measured price volatility is sufficiently low and an exchange traded single stock futures contract trades on the security.

7 "Daily turnover" percentage is daily issue trade volume divided by the issue outstanding share amount.

8 In comparison, when "daily turnover" was studied as a possible parameter for determining liquidity risk, the turnover percentages were so similar for all listings that it became very difficult to delineate highly liquid from less liquid issues.

- The minimum margin rate for long positions has been set at 15% for Member firm positions and 20% for customer positions where an individual equity's options or futures contract has been listed by a Canadian or U.S. derivatives exchange, otherwise 25%;

- The maximum margin rate has been set at 150% for short positions;

- Daily price change percentages to be used in the determination of price risk are assumed to be normally distributed;

- The Canadian equity markets are assumed to be sufficiently liquid to accurately measure price risk;

- Preferred and senior shares are to be margined at a rate no higher than that calculated for related junior issues on the assumption that they exhibit, at worst, no higher market risk; and

- The existing "strategy-based" offset rules for equities and equity related derivatives will be retained.

"Basic margin rate" proposal back-testing

The proposed "basic margin rate" methodology uses a market risk assessment approach that is similar to the approach embedded in TIMS and SPAN risk assessment methodologies that are in widespread use by derivatives clearing houses[9] around the world. As a result, the proposal back-testing (see Attachment #5) focused on ensuring that actual price movements over the period of margin rate coverage were less than the margin rate set using the proposed "basic margin rate" methodology rather than justifying the predictive use of historical pricing information.

The back testing results were in line with expectations as they indicated that:

- Days where coverage period price changes are in excess of a security's margin rate (i.e., violation days) are not uncommon under the current market price per share based methodology;

- The average violation day percentages are higher under the proposed "basic margin rate" methodology than under the current market price per share based methodology – this was expected because calculated margin rates are generally lower under the proposed "basic margin rate" methodology; and

- The average violation day percentages under the proposed "basic margin rate" methodology indicate that the required level of confidence with respect to margin rate adequacy (99% confidence) is being achieved by the methodology.

"Basic margin rate" proposal impact testing

The proposed "basic margin rate" methodology was tested over a six year period to determine its impact on affected capital markets, Member firms and their customers. The testing was comprised of:

- A comparison between current margin rates and proposed margin rates;

- A comparison between proposed margin rates for the previous quarter end and proposed margin rates for the current quarter end;

- An analysis of the impact of the proposed margin rates on short positions, focusing mainly on those issues with measured price volatility in excess of 100%; and

- A firm by firm impact assessment (for a sample of Association Member firms) of the impact of the proposed margin rates on proprietary inventory and customer account positions.

Debentures, warrants and foreign-based equities were excluded from the analysis in order to prevent any skewing of the results.

[9] In Canada, the Canadian Derivatives Clearing Corporation uses TIMS and SPAN in determining their clearing fund requirements with respect to derivative contract clearing and settlement.

Comparison of current margin rates to proposed margin rates - TSX listed securities

For the six years studied, the average margin requirement[10] weighted by traded value declined by 7.77% for Member firm positions (from 26.93% to 19.16%) and declined by 4.86% for customer positions (from 31.60% to 26.73%) under the proposed methodology. This translates to an average estimated proprietary inventory capital usage savings of $356 million and an average increase in customer account security loan value of $516 million for the periods studied. Estimates are even higher as at December 31, 2004 at $501 million and $655 million, respectively.

Of note, a significant number of securities experienced a margin rate change when the proposed methodology was adopted in each of the quarters tested. On average:

- 3.52%[11] of the value held in Member firm accounts (3.52% in the case of customer accounts) experienced a margin rate reduction at least 20%;
- 81.20% of the value held in Member firm accounts (89.56% in the case of customer accounts) experienced a margin rate reduction of less than 20%;
- 8.40% of the value held in Member firm accounts (2.68% in the case of customer accounts) experienced no change in margin rates; and
- 6.89% of the value held in Member firm accounts (4.24% in the case of customer accounts) experienced an increase in margin rates.

In terms of the number of issues affected with significant rate changes, if the proposed methodology had been adopted as at December 31, 2004, 336[12] securities with prices over $2.00 (currently margined at either 50% or 30% (25% for firms)) would have had margin rates of 75% or greater. On the other hand, 296[13] securities with prices less than $2.00 (currently margined at 60% or higher) would have had margin rates of 40% or less.

Comparison of current margin rates to proposed margin rates - TSX Venture listed securities

For the period studied, the average margin requirement decreased by 1.85% for Member firm positions (from 69.18% to 67.33%) and decreased by 1.75% for customer positions (from 69.19% to 67.44%) under the proposed methodology.

Of note, there are a relatively fewer (relative to the TSE securities) number of securities that will have major rate changes. This is mainly because under both the current and proposed methodologies, the majority of securities will be margined at 100%.

Comparison of current quarter proposed margin rates to previous quarter proposed margin rates - TSX Listed Securities

On average, the number of margin rate changes from quarter to quarter under the proposed methodology was greater than under the current methodology[14]. Specifically:

- 2.99%[10] of the value held in Member firm accounts (2.66% in the case of customer accounts) experienced a margin rate reduction at least 20%;
- 10.43% of the value held in Member firm accounts (4.07% in the case of customer accounts) experienced a margin rate reduction of less than 20%;
- 69.21% of the value held in Member firm accounts (85.43% in the case of customer accounts) experienced no change in margin rates; and
- 14.69% of the value held in Member firm accounts (5.17% in the case of customer accounts) experienced a margin rate increase.

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10 For each quarter the individual security margin rates were weighted by traded value and then to arrive at an overall average, a straight average was taken of the weighted rates calculated for the quarters tested.

11 The traded value weighted average for the past six years was used.

12 These securities represent less than 1% of traded value for the quarter ended December 31, 2004.

13 These securities represent less than 1% of traded value for the quarter ended December 31, 2004.

14 This conclusion ignores the regular rate changes that currently take place for listed equity securities with a market value of less than $2.00.

In terms of numbers of issues affected a quarter-to-quarter trend analysis performed for both Member firm and customer account positions showed the following:

- The average number of issues whose margin rates declined by at least 20% were 112 and 107, respectively,
- The average number of issues whose margin rates increased by at least 20% were 82 and 77, respectively, and
- The average number of issues whose margin rates did not change were 1,162 and 1,250, respectively.

These results confirmed staff's expectation that on an ongoing basis the number of securities experiencing margin rate changes would be relatively low (i.e., around 20%) but this would still create an operational issue to be addressed on a quarterly basis as all margin rate changes would take place at the same time.

Comparison of current quarter proposed margin rates to previous quarter proposed margin rates - TSX Venture listed securities

A quarter-to-quarter comparison was not prepared for securities trading on the TSX Venture Exchange. This is because, as stated previously, the majority of securities will be margined at 100%.

Impact of proposed margin rates on the margining of short positions

Tests were conducted to determine the adequacy of the proposed margin treatment for short positions. As it is proposed that the current methodology be retained for short positions in securities with prices of less than $2.00 per share, the primary focus of the testing was on securities priced at $2.00 or more per share. There are very few such securities (i.e., on average less than three issues per quarter) that had calculated margin intervals of greater than 100%. As a result, it was felt necessary to add only one additional margin rate category for short positions in listed securities, a 150% category. The following table summarizes the proposed revisions for short positions:

Price per Share	Listed Securities	Unlisted Securities
$2.00 and more	basic margin rate methodology with additional 150% margin rate category for volatile issues	200% or margin rate for related junior security if issuer has listed class of securities

Firm by firm impact assessment

To determine the likely impact of the proposed basic margin rate methodology on Member firms and their customers, an impact assessment survey was performed involving eight Member firm participants on the FAS Capital Formula Subcommittee. As part of the survey each participant calculated both their proprietary inventory capital requirements and their client account requirements using the proposed basic margin rate methodology.

(a) Member firm proprietary inventory capital requirements

On average, the study indicated that as at June 30, 2003, the eight Member firms surveyed would have had a 16% lower capital requirement under the proposed basic margin rate methodology as compared to the current requirements. This compares to a 9% lower requirement for the TSX as a whole as at June 30, 2003. The larger than market average reduction is reasonable given the tendency at most firms to hold only the most liquid equity positions (the positions that benefit the most from the proposed basic margin rate methodology) in their proprietary inventory.

Member firm proprietary inventory				
Member	**Current capital requirement** (000's)	**Proposed capital requirement** (000's)	**Increase/ (Decrease)** (000's)	**Increase/ (Decrease)** (%)
1	$37,119	$32,423	-$4,696	-12.65%
2	$127,444	$103,987	-$23,457	-18.41%
3	$193,164	$160,121	-$33,043	-17.11%
4	$1,846	$1,755	-$91	-4.93%
5	$42,223	$37,775	-$4,448	-10.53%
6	$2,977	$1,977	-$1,000	-33.57%
7	$650	$509	-$141	-21.69%
8	$414	$414	Nil	0.00%
Weighted average				-16.48%

(b) Client account margin requirements

During the development of the survey, it was determined that it would be difficult to precisely assess the impact of the proposed basic margin rate methodology on the levels of customer account margin. The reason for this is that most customer accounts have significant excess margin in their accounts and therefore a change in margin rates is unlikely to significantly affect the under-margined account levels. The survey therefore focused on measuring changes in loan values and credit requirements for customer account long positions and short positions, respectively.

On average, the study indicated that as at June 30, 2003, loan values for long positions in customer accounts at the eight Member firms surveyed increased 5% under the proposed basic margin rate methodology as compared to the current requirements. This lower increase for customer account long position loan value is to be expected as the loan value amounts reported include amounts for acceptable institutions and acceptable counterparties where either no margin or market value deficiency margin is applied in determining long position loan value. The results for firms #6 and #8 are more reflective of the impact the proposed basic margin rate methodology will have on retail customers as both of these firms cater almost exclusively to retail clients. These two firms averaged an 11% increase in customer account long position loan value.

Loan values of customer account long positions				
Member	**Current loan value** (000's)	**Proposed loan value** (000's)	**Increase/ (Decrease)** (000's)	**Increase/ (Decrease)** (%)
1	N/A	N/A	N/A	N/A
2	$474,328	$506,116	$31,788	6.70%
3	$1,057,862	$1,077,548	$19,686	1.86%
4	$363,025	$373,485	$10,460	2.88%
5	N/A	N/A	N/A	N/A
6	$501,298	$556,043	$54,744	10.92%
7	$6,029	$6,404	$376	6.22%
8	$128,445	$143,072	$14,627	11.39%
Weighted average				5.20%

On average, the study indicated that as at June 30, 2003, credit requirements for short positions in customer accounts at the eight Member firms surveyed was unchanged under the proposed basic margin rate methodology as compared to the current requirements. This is to be expected as most shorting activity occurs in highly active and price volatile securities, which in general will not experience significant rate reductions under the proposed basic margin rate methodology.

Credit requirements for customer account short positions				
Member	**Current credit requirement** (000's)	**Proposed credit requirement** (000's)	**Increase/ (Decrease)** (000's)	**Increase/ (Decrease)** (%)
1	N/A	N/A	N/A	N/A
2	$182,917	$190,806	$7,889	4.31%
3	$448,107	$449,585	$1,478	0.33%
4	$411,168	$407,397	-$3,770	-0.92%
5	N/A	N/A	N/A	N/A
6	$3,727	$3,709	-$18	-0.48%
7	$2,503	$2,413	-90,700	-3.60%
8	71,066	70,947	-119,125	-0.17%
Weighted average				0.48%

(c) Summary of impact of proposed margin rates on Member firms and their customers

While the survey work performed was at one point in time and involved relatively few Member firms, the result were in line with the market impact testing. In general, the survey indicates that there will not be significant capital impacts on Member firms (both in terms of requirements for proprietary inventory and under-margined customer accounts) when the proposed basic margin rate methodology is implemented. Rather, we believe the main impacts of changing margin rate methodologies will be operational in terms of systems changes and credit risk assessment changes.

Impact of periodic changes to margin rates under proposed "basic margin rate" methodology

As previously stated, it is likely that there will be operational impacts of this proposal upon implementation. However, it has also been stated that it is not likely that there will be any significant ongoing operational impacts of this proposal. This statement has been made based on six-years of studies of the ongoing rate changes that will take place under the proposed "basic margin rate" methodology and based on the fact that the current market price per share based methodology also requires the making of a number of ongoing margin rate changes.

Specifically, under the current market price per share based methodology, listings whose traded price per share is in the range from pennies per share to slightly above $2.00 per share may experience significant rate changes as the current approach for determining margin rates for long positions is as follows:

Traded price per share	Current margin rate
Greater than or equal to $2.00 per share and on LSERM	25.00%
Greater than or equal to $2.00 per share	50.00%
Greater than or equal to $1.75 per share and less than $2.00 per share	60.00%
Greater than or equal to $1.50 per share and less than $1.75 per share	80.00%
Less than $1.50 per share	100.00%

Under the current margin rate approach, the number of rate changes that take place during any calendar quarter is difficult to determine. To get an idea of the number of issues that may be subject to frequent margin rate changes under the current margin rate approach the following table summarizes the margin rates applicable to securities trading at less than or equal to $2.50 per share as at December 31, 2004:

Margin rate	**Number of TSX issues**	**Three month TSX traded value** (in millions)
30.00%	17	$1,997
50.00%	45	$730
60.00%	34	$468
80.00%	29	$294
100.00%	312	$1,884
Subtotal of listings trading at less than or equal to $2.50 per share	437	$5,373
Totals for listings on TSX	1,749	$428,536
Percentage of totals	**24.99%**	**1.25%**

Depending upon price movements these issues may experience either no or multiple margin rate changes during the calendar quarter.

Under the proposed basic margin rate methodology, it is not likely that margin rate changes will occur during the quarter. Instead, issue margin rates will all change at the same time. For example, as at December 31, 2004, 365 TSX listings (representing 20.87% of the number of TSX issues and 2.01% of the TSX traded value) would have had margin rate changes.

Margin rate changes	**Number of TSX issues**	**Three month TSX traded value** (in millions)
Margin rate decrease >= 20%	125	$3,844
Margin rate decrease < 20%	127	$2,714
Margin rate increase < 20%	48	$1,449
Margin rate increase >= 20%	65	$603
Subtotal of listings with a margin rate change	365	$8,610
Totals for listings on TSX	1,749	$428,536
Percentage of totals	**20.87%**	**2.01%**

While the numbers / percentages are not significantly different from the current margin rate approach, the rate changes will all occur at the same time which may necessitate changes to each Member firm's credit assessment process. Of course, to lessen the severity and frequency of customer account margin calls (caused by changes in margin rates), Member firms may continue to establish their own house margin rates.

PROPOSED AMENDMENTS – AMENDMENTS REQUIRED TO IMPLEMENT "BASIC MARGIN RATE" METHODOLOGY

The following is a detailed description of each of the amendments that are required to implement the proposed "basic margin rate" methodology:

AMENDMENT #1 – COMMERCIAL/CORPORATE BONDS, DEBENTURES AND NOTES [Regulation 100.2(a)(v)]

The notes to current Regulation 100.2(a)(v) set out specific margin requirements for convertible debentures. These requirements currently reference the list of securities eligible for reduced margin. These requirements have also been found to be excessive in the case of convertible debentures trading below par value and insufficient, in the case of convertible debentures trading above par value.

Specifically, under the current regulation, convertible debentures trading at less than par value are subject to a minimum additional margin requirement of 10% of par value over and above the regular requirement that would apply to a debenture. This additional requirement makes is not justified from a risk perspective because "out-of-the money" convertible debentures have the same risk characteristics as a debenture. In addition, under the current regulation, convertible debentures trading at greater than par value are never subject to the same margin requirement as the underlying security. This is also not supported from a risk perspective because a "deep-in-the-money" convertible debenture will have the same downside price risk as the underlying security.

The proposed amendments seek to remove the reference to the list of securities eligible for reduced margin and correct identified problems with the margin requirement calculation for convertible securities. The specific wording of the revised requirements, as set out in revised Regulations 100.2(a)(v)(1) and 100.2(a)(v)(2), is as follows:

"(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates multiplied by par value; and

(ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value."

AMENDMENT #2 - STRIPPED COUPONS AND RESIDUAL DEBT INSTRUMENTS [Regulation 100.2(a)(xi)]

The current regulation sets out the margin requirements for stripped coupons and residual debt instruments. The proposed amendments seek to clarify (not amend) the current margin requirements for these securities.

AMENDMENT #3 - STOCKS [Regulation 100.2(f)]

Securities listed in Canada and the United States [Regulation 100.2(f)(i)]

The current regulation sets out the market price per share based capital and margin requirements for listed securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States. The proposed amendments seek to revise this regulation to replace market price per share based margining methodology with the "basic margin rate" margining methodology.

As part of these amendments, the following text has been added:

> "Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin."

This text replaces the previous list in Regulation 100.2(f)(i) of specific markets and market tiers that are not eligible for margin with a general rule. The intention of this specific change is to make transparent the requirement of issuers to meet basic financial solvency requirements (such as adequate minimum pre-tax profit, net tangible asset and working capital requirements)

before regulatory value can be extended to their equity security issuances. The Association will publish on a regular basis those markets and market tiers that are not eligible for margin due to presence of inadequate initial and ongoing financial listing requirements.

Index constituent securities listed outside of Canada and the United States [Regulation 100.2(f)(ii)]

This new regulation seeks to extend 50% loan value to listed securities that are constituent securities of a major index on a recognized exchange other than in Canada and the United States. Currently, loan value is only extended outside of Canada and the United States to securities traded on the London and Tokyo stock exchanges. The new regulation would extend loan value to broad based index constituent securities that are listed on exchanges that qualify as "recognized exchanges and associations" for the purposes of determining "regulated entities" pursuant to Form 1.

Bank issued warrants [Regulation 100.2(f)(iii)]

This new regulation seeks to separate the existing requirements for bank issued warrants from the capital and margin requirements for other listed securities.

Unlisted securities eligible for margin [Regulation 100.2(f)(iv)]

Renumbered Regulation 100.2(f)(iv) [formerly Regulation 100.2(f)(ii)], which applies to unlisted securities, incorporates both the proposed "basic margin rate" margining methodology and the existing traded price per share methodology. In essence, where a published rate using the "basic margin rate" methodology is available, this rate can be used; where a rate is not available, the margin rate will be determined using the existing market price per share based requirements.

Securities eligible for reduced margin [Repealed]

Existing Regulation 100.2(f)(iv), which relates to listed securities eligible for reduced margin, will be repealed. The remaining paragraphs of existing Regulation 100.2(f) have been renumbered and have received only simplifying changes.

AMENDMENT #4 - MUTUAL FUNDS [Regulation 100.2(l)]

An existing proposal (currently awaiting CSA approval) to permit a 5% margin rate for money market mutual funds has been incorporated into the drafting of Regulation 100.2(f)(iv) and therefore proposed Regulation 100.2(l) will be repealed.

AMENDMENT #5 - UNDERWRITING [Regulation 100.5]

Reduced "normal new issue margin" rates were introduced when changes were implemented to the capital requirements for underwriting commitments on March 1, 2005. These reduced rates were not intended to be permanent, but rather were intended to be an interim measure designed to permit the use of lower new issue margin rates until such time as the lower "basic margin rate" methodology rates were available for all listed equity securities. As a result, the removal of the definition of and references to the term "normal new issue margin" is being proposed.

AMENDMENT #6 - INVENTORY POSITIONS [Regulation 100.12]

Securities eligible for reduced margin [Repealed]

Regulation 100.12(a), which grants a 25% margin rate to securities against which options issued by the Options Clearing Corporation are traded, will be repealed.

Government-guaranteed securities [Regulation 100.12(a)]

Renumbered Regulation 100.12(a) [formerly Regulation 100.12(b)].

Floating rate preferred shares [Regulation 100.12(b)]

Renumbered Regulation 100.12(b) [formerly Regulation 100.12(c)], which refers to convertible floating rate preferred shares, will be amended to be consistent with the amendments made to the margin requirements for convertible debentures, as mentioned above in the proposed amendments to Regulation 100.2(a)(v).

Floating rate debt obligations [Regulation 100.12(c)]

Renumbered Regulation 100.12(c) [formerly Regulation 100.12(d)].

Bank warrants for government securities [Regulation 100.12(c)]

Renumbered Regulation 100.12(c) [formerly Regulation 100.12(d)].

Securities held in a registered trader's account [Repealed]

The Association has already submitted a separate proposal seeking to repeal both existing Regulation 100.12(f) and existing Line 7 of Schedule 2 of Form 1. This proposal has been published by the OSC for public comment. In order to minimize the capital effects of these registered trader related proposals, we are now proposing to implement them at the same time as the implementation of the proposed "basic margin rate" methodology. As a result, the Association will withdraw its separate rule amendment proposal with respect to registered trader requirements and submit the same proposals as part of this set of proposed amendments. The remainder of this section includes an excerpt from the previously submitted proposal which details the rationale for the registered trader rule amendment proposals:

> "Existing Regulation 100.12(f) and Schedule 2 of Form 1 set out the margin reductions available for security positions held in a registered trader's account and the minimum margin requirements for registered traders, respectively.
>
> In recent years, both the Toronto Stock Exchange and the Bourse de Montréal have introduced market-making reforms whereby responsibilities have been assigned to participating organizations rather than individual registered traders, specialists and market makers. As market-making risk has been transferred from individuals to Member firms, Regulation 100.12(f) and certain requirements in Schedule 2 of Form 1 are no longer necessary.
>
> The main objective of this proposal is to repeal Regulation 100.12(f) and amending Schedule 2 of Form 1 to reflect the transfer of market-making responsibilities from individuals to Member firms by the Toronto Stock Exchange and the Bourse de Montréal.
>
> The proposal seeks to:
>
> - Eliminate the 25% reduced margin granted to registered traders for certain security positions for which they have on post trading privileges [Current Regulation 100.12(f)]; and
>
> - Eliminate the minimum margin requirement for Toronto Stock Exchange registered traders ($50,000 per trader) and for Bourse de Montréal registered specialists ($50,000 per specialist) [Current Form 1, Schedule 2, Line 7]
>
> The net effect of these proposals, if implemented alone, would be an overall increase in margin requirements for security positions held by an active trader/specialist. The equity margin project proposals, which are pending final approval, are likely to reduce the margin requirements for security positions held in all account, including trader/specialist accounts, since margin rates will be based on the actual market risk of each individual listed security rather than traded price per share. To mitigate any increase in margin requirements, which will ultimately be decreased when the equity margin project proposals are implemented, it is intended that these market-making proposals and the equity margin project proposals will be implemented on the same date. As a result, the impact of these proposed amendments is not expected to be significant in terms of impact on market structure, competition, and costs of compliance and other rules."

Index participation units and index baskets [Repealed]

Existing Regulation 100.12(g), which sets out the capital requirements for Member firm account positions in index participation units and index baskets will be repealed as there is no longer a need to have different Member firm account and customer account requirements for these products.

Debt and equity security offsets with futures and forwards [Regulation 100.12(e)]

Renumbered Regulation 100.12(e) [formerly 100.12(h)], will receive a title change to better describe the regulation.

AMENDMENT #7 - SECURITIES HELD IN A REGISTERED TRADER'S ACCOUNT [Form 1, Schedule 2]

Refer to discussion which proposes that Regulation 100.12(f) be repealed. For the same reasons it is proposed that Line 7 of Schedule 2 of Form 1 be repealed.

B ISSUES AND ALTERNATIVES CONSIDERED

The main concern with the current “market price per share” approach to margining equity securities is that there is no evidence that market price per share is an accurate indicator of a security’s market risk. It is believed that the relative inaccuracy of the current approach was also recognized when the current requirements were originally implemented. This is because the current margin requirement methodology generally results in the use of conservative margin rates, even in today’s volatile markets, in relation to the market risk associated with the equity securities.

Another relatively minor concern with the current rules is the related “strategy-based” rules for offsets involving equity securities. These rules need to be updated to more closely track the market risk associated with the offsets as well as address some of the other inaccuracies in the rules. To a large extent, the proposed “basic margin rate” methodology will address these needs.

The main objective of the "basic margin rate" methodology is to replace the existing margin rate methodology with a methodology that more accurately tracks market risk. In order to develop a replacement methodology, the FAS Capital Formula Subcommittee reviewed various methodologies with the requirements that: (i) the methodology selected would have to accurately track an individual security’s market risk by measuring both price risk and liquidity risk[15]; and (ii) the methodology selected would have to be reasonably simple to implement both from an operational and investor education standpoint. The methodology selected and referred to, as the “basic margin rate” methodology is essentially a methodology for determining a customized margin rate for each equity security.

As previously stated, there are alternatives to the “basic margin rate” methodology that we could have selected as a replacement to the current market price per share based methodology. Some of these alternatives are as follows:

- Value at risk (VaR) modeling
- TIMS or SPAN for positions in and offsets involving exchange-traded derivatives
- Position risk requirement (PRR) or similar portfolio margining methodology

These approaches were rejected as an appropriate replacement for the current market price per share based methodology not because they were inaccurate, but rather because they would be less straightforward to implement both from an operational and investor education standpoint.

Of note, the Association has already amended its rules to grant Member firms the option of using TIMS or SPAN to margin their proprietary inventory positions in and offsets involving exchange-traded derivatives and a separate proposal will be forthcoming to grant Member firms the option of using VaR modeling to margin their proprietary inventory. It is also likely that the optional use of a portfolio margining methodology will be studied at a future date. However, none of these methodologies are easily applicable retail customer account margining.

C COMPARISON WITH SIMILAR PROVISIONS

RULES IN OTHER JURISDICTIONS - UNITED STATES AND UNITED KINGDOM

Neither the United States nor the United Kingdom have similar “basic margin rate” rules to those being proposed that are made available for use in margining both dealer proprietary inventory and retail customer account positions. Both jurisdictions employ a version of a market price per share based margin requirement as their basic margining methodology to be used for retail customer account positions.

In the United Kingdom, a more sophisticated methodology, referred to as the Position Risk Requirement (“PRR”), may be used by a dealer in margining its own proprietary inventory. This PRR methodology allows for the reduction in the margin otherwise required for a basket of securities if a sufficient level of diversification across industries can be demonstrated.

In the United States, effective August 2004, certain securities dealers have been granted an option to use VaR modeling (as part of an alternative financial filing approach known as the Alternative Net Capital Requirement) as a basis for margining their own proprietary inventory. Dealers electing to use the VaR modeling alternative are subject to “enhanced net capital, early warning, recordkeeping, reporting, and certain other requirements, and must implement and document an internal risk management system. Furthermore, as a condition to its use of the alternative method, a broker-dealer's ultimate holding company and affiliates must consent to group-wide Commission supervision. This supervision would impose reporting (including reporting of a capital adequacy measurement consistent with the standards adopted by the Basel Committee on Banking Supervision), recordkeeping, and notification requirements on the ultimate holding company.”

[15] Since the main components of market risk are price risk and liquidity risk, and margin requirements should be designed to cover market risk, no other approaches were seriously considered.

Methodologies similar to that being proposed are in widespread use by derivatives clearing houses around the world. In fact, the two major methodologies in use by clearinghouses, TIMS and SPAN, employ a similar margin interval approach to determining a market risk margin requirement. The following is a summary of the assumptions used by some well known derivative clearing houses along with those included in the Association's proposed "basic margin rate" methodology:

Organization	Required Statistical Confidence Level[16]	Required Number of Days Price Risk Coverage
CDCC	3	2
OCC	5	1
LCH	3	1 or 2
CME	2 to 3	1
IDA	3	2, 3, 4 or more
Note: These parameters are adjusted from time to time by each of the clearinghouses.		

What distinguishes the assumptions in the Association's proposed methodology from those of the clearinghouses is the assumption relating to the number of days of price risk coverage. There are two reasons for this difference:

1. Clearinghouses ask for clearing fund deposits to cover the risk they assume by guaranteeing the settlement of all transactions they clear. Although similar, this is not the same risk that regulatory margin rates are designed to cover. Regulatory margin rates are designed to cover price risk over the period of time it would take to close out a security position.

2. The clearinghouses referred to in the above table are derivatives clearing houses. Exchange traded derivatives are generally only listed on the most liquid securities. As a result, the number of days price risk coverage required is lower.

The Canadian Depository for Securities Limited (CDS) implemented in October 2004 a similar market risk assessment tool, which they refer to as the "VaR method" [Note: This is not the same as VaR modeling] which is very similar to the proposed "basic margin rate" methodology. CDS uses this "VaR method" tool to determine its exposure to market risk with respect to the outstanding failed trade positions of its participants. CDS refers to the Association's "basic margin rate" proposals in their "CDS Settlement Services Risk Model" discussion paper as follows:

> "The VaR method of estimating market risk is an industry-standard methodology. CDS currently uses this approach to calculate the DetNet Participant Fund contributions. The VaR methodology employed is also used by the IDA to calculate the margin rates for securities in their "Equity Margin Project" proposal. CDS will adopt a VaR methodology similar to the one that underlies the proposed IDA Margin Guidelines. Since the IDA Margin Guidelines were developed for use by broker/dealers for their individual margin accounts, there will be some differences in CDS' implementation. The major differences are:
>
> - The IDA Guidelines "band" the margin rates for ease of use. For example, if the IDA's calculations result in a 5% haircut for a given security, the guidelines use 15% (i.e. any calculated haircut between 0% and 15% are scaled up to 15%). CDS will use the calculated amount instead of the assigned "banded" amount.
>
> - The IDA proposal assigns different holding periods and a "liquidity factor" to security margin rates based on the liquidity of the security. The guidelines assume that it might take 2 days to liquidate a position in a "higher-than-typical" security and up to 4 days in a "less-than-typical" security. CDS will apply a minimum standard 3-day holding period to all securities. Securities with less than average liquidity will be applied a 5-day or 10-day holding period. The details of the treatment of liquidity are under review. CDS will be conducting daily surveillance of Participants' CNS and ACCESS outstanding positions to identify any situations that fall outside these parameters (e.g. CNS outstanding positions that represent an unusually large proportion of the daily trading volume of a security). CDS may use its discretionary authority to request more collateral from a Participant if the surveillance identifies cases that are not addressed by the standard calculations.
>
> - The IDA Margin Guideline are intended to cover three standard deviations of price risk, meaning that the margin rates that are calculated in the model expect to cover the portfolio value changes in excess of 99% of the time. CDS will use a 99% confidence interval in its calculations (which is approximately 2.3 standard deviations).
>
> CDS will conduct on-going reviews of the VaR models using back-testing of the risks from the CNS Outstandings and the adequacy of the collateral in the Participant funds. The backtesting of collateral requirements will be conducted for each Participant in each CCP service. These backtesting results will be made available to Participants. To the extent

[16] Expressed as number of standard deviations.

that the backtesting indicates that the collateral would have been insufficient, CDS may request additional collateral in order to maintain the required 99% confidence factor."

It should be noted that of the three areas of difference between the CDS "VaR method" and the proposed Association "basic margin rate" methodology, the only difference that might suggest that Association parameters are less stringent than those at CDS is in the way that CDS determines the required number of days price risk coverage. This was necessary for CDS as its risk model was designed to cover market risk associated with both listed and unlisted equity securities, while the Association proposals focus on addressing the market risk associated with only listed equity securities.

D SYSTEMS IMPACT OF RULE

A previous section has described the likely impacts of this proposal on Member firms both in terms of operational impacts and credit risk assessment impacts.

There will also be impacts at third party service bureaus. Most Member firms use one of three third party service bureaus (ADP, ADP Dataphile and IBM) to assist them in the preparation of books and records relating to customer account cash and security positions. When the rule changes are implemented these service bureaus will need to change their approach for determining margin rates from a formula driven approach (where margin rates are determined based on market price per share) to a table driven approach (where margin rates are published on a regular basis by the Association). While the table driven margin rate approach is currently being used by all service bureaus on a limited basis[17], it is likely that some of the services bureaus will have to undertake significant programming changes to accommodate the proposed margin rate approach. Since programming changes will only take place once these proposals have been approved by the Association's recognizing regulators it is estimated that a one year implementation period will be required before the proposed "basic margin rate" methodology becomes effective.

The Bourse de Montreal is also in the process of passing these amendments. Implementation of these amendments will therefore take place once both the Association and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E BEST INTERESTS OF THE CAPITAL MARKETS

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F PUBLIC INTEREST OBJECTIVE

According to the Association's order of recognition as a self regulatory organization, the Association shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals with respect to the margining of listed equity securities. The purposes of the proposal are to "facilitate an efficient capital-raising process and to facilitate transparent, efficient and fair secondary market trading and the availability to members and investors of information with respect to offers and quotations for and transactions in securities, and efficient clearance and settlement procedures" and to "facilitate fair and open competition in securities transactions generally".

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes. Based on the significance of these proposed amendments they have been determined to be public interest in nature.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B EFFECTIVENESS

As stated above, the objective of the proposed "basic margin rate" methodology is to determine an overall margin rate for each equity security that will more accurately address a security's market risk than the existing market price per share based

[17] When the List of Securities Eligible for Reduced Margin (LSERM) was introduced for the quarter ended June 30, 2000 each of the service bureaus had to make system changes to accommodate rates provided in a table. While the changes made may have been workable for the 400-500 listings that appear on the quarterly LSERM they may no longer be workable for the approximately 30,000 listings that will have custom margin rates set under the proposal.

methodology. The proposed methodology seeks to measure market risk on a security specific basis by separately measuring price and liquidity risk and then combining these measured risks into a custom margin rate for each security. It is believed this approach, setting margin rates based on a security's market risk, will be effective.

C PROCESS

This proposal was developed and recommended for approval by the FAS Capital Formula Subcommittee and reviewed and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

- IDA Regulation 100 and IDA Form 1
- IDA Equity Margin Project Discussion Paper, Draft #14, dated May 11, 2005
- New York Stock Exchange and Securities Exchange Commission, Uniform Net Capital Rule, 15c3-1
- U.S. Securities Exchange Act of 1934, Alternative Net Capital Computation for Broker Dealers that Elect to be Supervised on a Consolidated Basis, Section 204.15c3-1(a)(7)
- United Kingdom Securities and Futures Authority, Rule 10-70 through 10-90, Financial Resources Requirement, Position Risk Requirement and Equity Method
- Canadian Depository for Securities Limited, "Settlement Services Risk Model" discussion paper dated June 25, 2003

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The Association is required to publish for comment the accompanying proposed amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Richard Corner, Vice President, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

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Attachment #1

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED NEW METHODOLOGY FOR MARGINING EQUITY SECURITIES
REGULATION 100 AND FORM 1
BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.2(a)(v) is repealed and replaced as follows:

"(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Member's name maturing:

within 1 year	3% of market value (*)
over 1 year to 3 years	6% of market value (*)
over 3 years to 7 years	7% of market value (*)
over 7 years to 11 years	10% or market value (*)
over 11 years	10% of market value (*)

(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates multiplied by par value; and

(ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

(3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.

(4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.

(5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

(i) the margin requirement for a convertible debt instrument calculated pursuant to this Regulation 100.2(a)(v); and

(ii) the margin requirement for a residual debt instrument (zero coupon) instrument calculated pursuant to Regulation 100.2(a)(xi);

and;

(b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Regulation 100.2(a)(vi) then the margin requirements in such Regulation shall apply."

2. Regulation 100.2(a)(xi) is amended by:

(a) Replacing the word "For" with the word "for" at the beginning of subparagraphs (A) and (B);

(b) Replacing the word "The" with the word "the" at the beginning of the last paragraph in the section; and

(c) Removing the reference to paragraph (6) of Regulation 100.2(a)(v).

3. Regulation 100.2(f) is repealed and replaced as follows:

"(f) **Stocks**

(i) **Listed on an exchange in Canada or the United States**

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long positions - margin required

The published long position basic margin rate for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position.

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin.

Short positions - credit required

The greater of:

(A) 100% plus the published short position basic margin rate percentage for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position

and

(B) Where the security is trading at less than $2.00 per share, the calculated minimum price based requirement as follows:

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

For the purposes of Regulation 100, the term "basic margin rate" means a customized security specific margin rate calculated based on the measured price and liquidity risk for the security. Similar to the calculation of the "floating margin rate" for index products, measured price risk is based on the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days. Measured liquidity risk is based on the security's public float value and average daily volume levels. The risk assessments are combined into an overall market risk assessment and, based on that assessment, one of the following margin rates is assigned:

- 15% (only Member firm account positions are eligible);
- 20% (only customer account positions, where a related option or future is listed on an exchange, and Member firm account positions are eligible);

- 25%, 30%, 40%, 60%, 75% and 100%
- 150% (where necessary for short security positions)

(ii) **Index constituent securities listed on certain other exchanges**

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as "recognized exchanges and associations" for the purposes of determining "regulated entities"; and

(B) the security is a constituent security on the exchange's major broadly based index.

(iii) **Warrants issued by a Canadian chartered bank**

For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Regulation 100.12(e) applies) the margin shall be the greater of:

(A) the margin otherwise required by this Regulation according to the published basic margin rate for the warrant; or

(B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(iv) **Unlisted securities eligible for margin**[18]

Subject to the existence of an ascertainable market among brokers or dealers, for positions in the following unlisted securities:

(A) Securities of insurance companies licensed to do business in Canada;

(B) Securities of Canadian banks;

(C) Securities of Canadian trust companies;

(D) Securities of mutual funds qualified by prospectus for sale in any province of Canada, with the exception of money market mutual funds (as defined in National Instrument 81-102) which may be margined using a rate of 5%;

(E) Other senior securities of listed companies;

(F) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

(G) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

(H) All securities listed on The Nasdaq Stock Market^{SM} (Nasdaq National Market® and The Nasdaq SmallCap Market^{SM}).

the margin or credit required shall be determined based on the published basic margin rate for the most junior listed security of the same issuer company as approved by a recognized self-regulatory organization, multiplied by the market value of the security position. Where a published rate is unavailable, the following requirements will apply:

[18] Wording has been revised to incorporate a rule change awaiting CSA approval that seeks to separately detail the margin requirements for mutual funds in new IDA Regulation 100.2(l)

Long positions - margin required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50 may not be carried on margin.

Short positions - credit required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

(v) **Other unlisted stocks**

For positions in all other unlisted stocks not mentioned above:

Long positions - margin required

100% of market value

Short positions - credit required

Securities selling at $0.50 or more - 200% of market value

Securities selling at less than $0.50 - market value plus $0.50 per share

(vi) **Index participation units and qualifying baskets of index securities**

(A) For index participation units:

(I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(B) For a qualifying basket of index securities:

(I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(x), Regulation 100.9(c)(xii), Regulation 100.9(c)(xx) and Regulation 100.9(c)(xxiv) apply."

4. Proposed Regulation 100.2(l) is repealed.

5. Regulation 100.5 is amended by:

   (a) Repealing subparagraph 100.5(a)(vii); and

   (b) Throughout the remainder of the regulation, replacing the words “normal new issue margin” with the words “normal margin”.

6. Regulation 100.12 is amended by:

   (a) Repealing subparagraph 100.12(a);

   (b) Renumbering subparagraph 100.12(b) to 100.12(a);

   (c) Replacing subparagraph 100.12(c) with renumbered 100.12(b) as follows:

   “(b) **Floating rate preferred shares**

   (i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;

   (ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:

   (A) the sum of:

   (I) the effective rate determined in Regulation 100.12(b)(i) multiplied by par value; and

   (II) the excess of market value over par value;

   and

   (B) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

   (iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

   For the purposes of this Regulation 100.12(b), the term "floating rate preferred share" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Regulation 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.”

   (d) Renumbering subparagraphs 100.12(d) and 100.12(e) to 100.12(c) and 100.12(d) respectively;

   (e) Repealing subparagraphs 100.12(f) and 100.12(g) ; and

   (f) Renumbering subparagraph 100.12(h) to 100.12(e), replacing the title “Government of Canada debt covered by futures” with the title “Debt and equity security offsets with futures and forwards” and replacing within the subparagraph the word “TSE” with the words “Toronto Stock Exchange”.

7. Line 7 of Schedule 2 of Form 1 and the accompanying notes to Line 7 are repealed and the remaining lines and notes and renumbered accordingly.

PASSED AND ENACTED BY THE Board of Directors this 26th day of October 2005, to be effective on a date to be determined by Association staff.

Attachment #2

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED NEW METHODOLOGY FOR MARGINING EQUITY SECURITIES
REGULATION 100 AND FORM 1
CLEAN COPY OF AMENDMENTS

Regulation 100.2(a)(v) – Amendment #1

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Member's name maturing:

within 1 year	3% of market value (*)
over 1 year to 3 years	6% of market value (*)
over 3 years to 7 years	7% of market value (*)
over 7 years to 11 years	10% or market value (*)
over 11 years	10% of market value (*)

(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates multiplied by par value; and

(ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

(3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.

(4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.

(5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

(i) the margin requirement for a convertible debt instrument calculated pursuant to this Regulation 100.2(a)(v); and

(ii) the margin requirement for a residual debt instrument (zero coupon) instrument calculated pursuant to Regulation 100.2(a)(xi);

and;

(b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Regulation 100.2(a)(vi) then the margin requirements in such Regulation shall apply.

Regulation 100.2(a)(xi) - Amendment #2

(xi) **Stripped coupons and the residual debt instruments:**

The percentage of market value which is

(A) for instruments with a term to maturity of less than 20 years, 1.5 times

(B) for instruments with a term to maturity of 20 years or more, 3 times

the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities shall be determined in accordance with paragraph (5) of Regulation 100.2(a)(v).

Regulations 100.2(f) – Amendment #3

(f) **Stocks**

(i) **Listed on an exchange in Canada or the United States**

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long positions - margin required

The published long position basic margin rate for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position.

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin.

Short positions - credit required

The greater of:

(A) 100% plus the published short position basic margin rate percentage for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position

and

(B) Where the security is trading at less than $2.00 per share, the calculated minimum price based requirement as follows:

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

For the purposes of Regulation 100, the term “basic margin rate” means a customized security specific margin rate calculated based on the measured price and liquidity risk for the security. Similar to the calculation of the “floating margin rate” for index products, measured price risk is based on the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days. Measured liquidity risk is based on the security’s public float value and average daily volume levels. The risk assessments are combined into an overall market risk assessment and, based on that assessment, one of the following margin rates is assigned:

- 15% (only Member firm account positions are eligible);

- 20% (only customer account positions, where a related option or future is listed on an exchange, and Member firm account positions are eligible);
- 25%, 30%, 40%, 60%, 75% and 100%
- 150% (where necessary for short security positions)

(ii) **Index constituent securities listed on certain other exchanges**

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as "recognized exchanges and associations" for the purposes of determining "regulated entities"; and

(B) the security is a constituent security on the exchange's major broadly based index.

(iii) **Warrants issued by a Canadian chartered bank**

For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Regulation 100.12(e) applies) the margin shall be the greater of:

(A) the margin otherwise required by this Regulation according to the published basic margin rate for the warrant; or

(B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(iv) **Unlisted securities eligible for margin**[19]

Subject to the existence of an ascertainable market among brokers or dealers, for positions in the following unlisted securities:

(A) Securities of insurance companies licensed to do business in Canada;

(B) Securities of Canadian banks;

(C) Securities of Canadian trust companies;

(D) Securities of mutual funds qualified by prospectus for sale in any province of Canada, with the exception of money market mutual funds (as defined in National Instrument 81-102) which may be margined using a rate of 5%;

(E) Other senior securities of listed companies;

(F) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

(G) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

(H) All securities listed on The Nasdaq Stock Market^{SM} (Nasdaq National Market® and The Nasdaq SmallCap Market^{SM}).

[19] Wording has been revised to incorporate a rule change awaiting CSA approval that seeks to separately detail the margin requirements for mutual funds in new IDA Regulation 100.2(l)

the margin or credit required shall be determined based on the published basic margin rate for the most junior listed security of the same issuer company as approved by a recognized self-regulatory organization, multiplied by the market value of the security position. Where a published rate is unavailable, the following requirements will apply:

Long positions - margin required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50 may not be carried on margin.

Short positions - credit required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

(v) **Other unlisted stocks**

For positions in all other unlisted stocks not mentioned above:

Long positions - margin required

100% of market value

Short positions - credit required

Securities selling at $0.50 or more - 200% of market value

Securities selling at less than $0.50 - market value plus $0.50 per share

(vi) **Index participation units and qualifying baskets of index securities**

(A) For index participation units:

(I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(B) For a qualifying basket of index securities:

(I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(x), Regulation 100.9(c)(xii), Regulation 100.9(c)(xx) and Regulation 100.9(c)(xxiv) apply.

Regulation 100.2(l) - Amendment #4

[Proposed Regulation 100.2(l) is repealed.]

Regulation 100.5 - Amendment #5

100.5. Underwriting

(a) In this Regulation 100.5 the expression:

(i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Regulation 100.5(a)(i)(A) so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) commitment amount [issue price x number of shares].

(iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

"The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole."

(iv) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsalability due to market conditions, substantially in the following form:

"If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be

entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing."

(v) "new issue letter" means an underwriting loan facility in a form satisfactory to the Vice-President, Financial Compliance. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer will:

(A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Member firm;

(B) advance funds to the Member firm for any portion of the commitment not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circumstances, in the event that the Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Member firm or the firm's customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Member firm either for the firm's own account or for the firm's customers.

in order to recover the loss or potential loss.

(vi) "normal margin" means margin otherwise required by the Regulations.

(b) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	Normal margin required from the date of commitment.	10% of normal margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier; 10% of normal margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 25% of normal margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 50% of normal margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 75% of normal margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; Otherwise, normal margin required.
(2) Underwriting agreement includes disaster out clause	50% of normal margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3) Underwriting agreement includes market out clause	10% of normal margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.
(4) Underwriting agreement includes disaster out clause and market out clause	10% of normal margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of normal margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the Member has determined through obtaining appropriate documentation:

(i) that the allocation between retail and exempt purchasers has been finalized;

(ii) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;

(iii) that here is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

(iv) that the Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

the following margin rates are hereby prescribed for the portion of the commitment allocated to exempt purchasers:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal margin is required.	As in (b) above
(2) Underwriting agreement includes disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal margin is required.	As in (b) above
(3) Underwriting agreement includes market out clause	As in (b) above	As in (b) above

	Without New Issue Letter	*With new issue letter*
(4) Underwriting agreement includes disaster out clause and market out clause	As in (b) above	As in (b) above

(d) Where:

(i) the normal margin required on any one commitment is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such commitment (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the normal margin required on some or all commitments is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) and (c) above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Member's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Member to the issuer.

Regulation 100.12 – Amendment #6

100.12. Notwithstanding Regulation 100.2, margin on securities owned or sold short by a Member shall be provided at the following rates:

(a) **Government-guaranteed securities -** 25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

(b) **Floating rate preferred shares**

(i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;

(ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:

(A) the sum of:
(I) the effective rate determined in Regulation 100.12(b)(i) multiplied by par value; and

(II) the excess of market value over par value;

and

(B) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Regulation 100.12(b), the term "floating rate preferred share" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Regulation 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.

(c) **Floating rate debt obligations**

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Regulation 100.12(c), the term "floating rate debt obligation" means a debt instrument described in Regulation 100.2(a)(i), (ii), (iii), or (vi) or in Regulation 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

(d) **Bank warrants for government securities**

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purposes of this Regulation 100.12(d), bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in Regulation 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

(e) **Debt and equity security offsets with futures and forwards**

A Member’s long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the Toronto Stock Exchange which is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).

Amendment #7 – Form 1, Schedule 2

DATE: _____ SCHEDULE 2

PART II
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

Category	Market Value – Long	Market Value – Short	Margin required
1. Money market	$	$	$
Accrued interest			NIL
TOTAL MONEY MARKET			
2. Bonds			
Accrued interest			NIL
TOTAL BONDS			
3. Equities			
Accrued interest on convertible debentures			NIL
TOTAL EQUITIES			
4. Options			
5. Futures	NIL	NIL	
6. Other			
Accrued interest			NIL
TOTAL OTHER			
7. TOTAL		$	$
		A-52	B-7
8. **LESS**: Securities, including accrued interest, segregated for client free credit ratio calculation *[see instructions]*			
	A-8 & D-7		
9. NET TOTAL	$		
	A-7		

SUPPLEMENTARY INFORMATION

10. Market value of securities included above but held on deposit with Acceptable Clearing Corporations or Regulated Entities as variable base deposits or margin deposits	$
11. Margin reduction from offsets against Trader reserves, PDO guarantees or General allowances	$

[see notes and instruction]

SCHEDULE 2

NOTES AND INSTRUCTIONS

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund.

2. Schedule 2 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.

3. Where the firm utilizes the computerized options margining program of a recognized Exchange operating in Canada, the margin requirement produced by such program may be used provided the positions in the firm's records agree with the positions in the Exchange computer. No details of such positions are to be reported if the programs are employed. Details of any adjustments made to the margin calculated by an Exchange computer-margining program must be provided. For the purposes of this paragraph, recognized Exchange means The Montreal Exchange.

4. The Examiners and/or Auditors of the Joint Regulatory Bodies may request additional details of securities owned or sold short as they, in their discretion, believe necessary.

5. Where there are margin offsets between categories, the residual should be shown in the category with the larger initial margin required before offsets.

Line 1 - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.

Supplementary instructions for reporting money market commitments:

"Market Price" for money market commitments [fixed-term repurchases, calls, etc.] shall be calculated as follows:

(a) Fixed date repurchases [no borrower call feature] - the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.

(b) Open repurchases [no borrower call feature] - prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in (a) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

(c) Repurchase with borrower call features - the market price is the borrower call price. No margin is required where the total consideration for which the holder can put the security back to the dealer is less than the total consideration for which the dealer may put the security back to the issuer. However, where a holder consideration exceeds dealer consideration [the dealer has a loss], the margin required is the lesser of:

    (1) the prescribed rate appropriate to the term of the security, and

    (2) the spread between holder consideration and dealer consideration [the loss] based on the call features subject to a minimum of ¼ of 1% margin.

Line 8 - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a party to the Basle Accord), which are segregated and held separate and apart as the Member firm’s property.

Line 11 - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the firm and the trader permitting the firm to recover realized or unrealized losses from the IA reserve account. Include margin reductions arising from guarantees relating to inventory accounts by Partners, Directors, and Officers of the firm (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the firm.

Attachment #3

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED NEW METHODOLOGY FOR MARGINING EQUITY SECURITIES
REGULATION 100 AND FORM 1
BLACK-LINE COPY OF AMENDMENTS

Regulation 100.2(a)(v) – Amendment #1

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Member's name maturing:

within 1 year	3% of market value (*)
over 1 year to 3 years	6% of market value (*)
over 3 years to 7 years	7% of market value (*)
over 7 years to 11 years	10% or market value (*)
over 11 years	10% of market value (*)

(1) If convertible and selling over par, ~~apply~~ the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates ~~on~~ multiplied by par value; and ~~add 50% of~~

(ii) the excess of market value over par ~~when~~ value;

and

(b) the maximum margin requirement for a convertible ~~into securities acceptable for margin purposes or 100% of the excess of~~ security calculated pursuant to Regulation 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value ~~over par when convertible into securities not acceptable for margin purposes with a minimum addition to the above rates of 10% of par value. If convertible and selling at or below par, add 10% of par value to the quoted rates;~~

(~~2~~3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin ~~required is 50% of the~~ requirement shall be 50% of market value.

(4) In the case of U.S.~~.~~. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin ~~required is 50% of the~~ requirement shall be 50% of market value~~;~~.

(~~3~~5) ~~If selling over par and~~If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

(i) the margin requirement for a convertible ~~into shares which are securities eligible~~debt instrument calculated pursuant to this Regulation 100.2(a)(v); and

(ii) the margin requirement for ~~reduced margin as defined in Regulation 100.12 and acceptable~~ a residual debt instrument (zero coupon) instrument calculated pursuant to Regulation 100.2(a)(xi);

and;

(b) the maximum margin requirement for ~~margin purposes, apply the above rates on par value and add 30% of the excess of market value over par, with a minimum addition to the above rates of 10% of par value;~~

~~(4) If carried in inventory, selling over par and~~ convertible ~~into shares which are securities eligible for reduced margin as defined in Regulation 100.12 and acceptable for margin purposes, apply the above rates on par value and add 25% of the excess of market value over par, with a minimum addition to the above rates of 10% of par value;~~

~~(5) If convertible and a residual debt instrument (zero coupon) and the margin requirement~~security calculated ~~for the debt instrument~~ pursuant to Regulation 100.21~~(a)(xi) exceeds the margin requirement for the instrument pursuant to this paragraph (v), margin shall be provided as required pursuant to Regulation 100.2(a)(xi); and~~

(6) ~~If convertible and a residual debt instrument (zero coupon) and the margin requirement calculated for the debt instrument pursuant to this paragraph (v) exceeds the margin requirement under the Regulations for the securities into which the instrument can be converted, the margin required need not exceed the margin provided for under the Regulations on such other securities.~~

~~(7)~~ Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Regulation 100.2(a)(vi) then the margin requirements in such Regulation shall apply.

Regulation 100.2(a)(xi) - Amendment #2

(xi) **Stripped coupons and the residual debt instruments:**

The percentage of market value which is

(A) ~~For~~ for instruments with a term to maturity of less than 20 years, 1.5 times

(B) ~~For~~for instruments with a term to maturity of 20 years or more, 3 times

~~The~~ the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities shall be determined in accordance with paragraph~~s~~ (5) ~~and (6)~~ of Regulation 100.2(a)(v).

Regulations 100.2(f) – Amendment #3

(f) **Stocks**

(i) ~~On~~ **Listed on an exchange in Canada or the United States**

For positions in securities listed (other than bonds and debentures~~)~~ but including rights and warrants ~~listed~~ other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States~~, on the Tokyo Stock Exchange First Section or on the stock list of the London Stock Exchange~~:

~~**Long Positions - Margin Required**~~

~~Securities selling at $2.00 or more - 50% of market value~~

~~Securities selling at $1.75 to $1.99 - 60% of market value~~

~~Securities selling at $1.50 to $1.74 - 80% of market value~~

~~Securities selling under $1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange and securities of companies classified as Tier 3 or Inactive Tier 2 issuers on the TSX Venture Exchange may not be carried on margin.~~

Long positions - margin required

The published long position basic margin rate for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position.

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin.

~~**Short Positions - Credit Required**~~

~~Securities selling at $2.00 or more - 150% of market value~~

~~Securities selling at $1.50 to $1.99 - $3.00 per share~~

~~Securities selling at $0.25 to $1.49 - 200% of market value~~

~~Securities selling at less than $0.25 - market value plus $0.25 per share~~

Short positions - credit required

The greater of:

(A) 100% plus the published short position basic margin rate percentage for the security as approved by a recognized self-regulatory organization, multiplied by the market value of the security position

and

(B) Where the security is trading at less than $2.00 per share, the calculated minimum price based requirement as follows:

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

For the purposes of Regulation 100, the term “basic margin rate” means a customized security specific margin rate calculated based on the measured price and liquidity risk for the security. Similar to the calculation of the “floating margin rate” for index products, measured price risk is based on the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days. Measured liquidity risk is based on the security’s public float value and average daily volume levels. The risk assessments are combined into an overall market risk assessment and, based on that assessment, one of the following margin rates is assigned:

- 15% (only Member firm account positions are eligible);
- 20% (only customer account positions, where a related option or future is listed on an exchange, and Member firm account positions are eligible);
- 25%, 30%, 40%, 60%, 75% and 100%
- 150% (where necessary for short security positions)

~~Notwithstanding the foregoing, the margin required in respect of positions (other than firm positions to which Regulation 100.12(e) applies) of warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof shall be the greater of:~~

~~A. the margin otherwise required by this Regulation according to the market value of the warrant; or~~

~~B. 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.~~

~~For the purposes of this Regulation 100.2(f)(i), “Inactive Tier 2” securities are securities of companies classified as Tier 2 issuers that are considered to be inactive by the TSX Venture Exchange. Such securities will be identifiable through use of unique trading symbols.~~

(ii) **Index constituent securities listed on certain other exchanges**

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as "recognized exchanges and associations" for the purposes of determining "regulated entities"; and

(B) the security is a constituent security on the exchange's major broadly based index.

(iii) **Warrants issued by a Canadian chartered bank**

For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Regulation 100.12(e) applies) the margin shall be the greater of:

(A) the margin otherwise required by this Regulation according to the published basic margin rate for the warrant; or

(B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(~~ii~~iv) **Unlisted securities eligible for margin**[20]

Subject to the existence of an ascertainable market among brokers or dealers ~~the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks~~, for positions in the following unlisted securities:

(A) Securities of insurance companies licensed to do business in Canada;

(B) Securities of Canadian banks;

(C) Securities of Canadian trust companies;

(D) Securities of mutual funds qualified by prospectus for sale in any province of Canada~~;~~, with the exception of money market mutual funds (as defined in National Instrument 81-102) which may be margined using a rate of 5%;

(E) Other senior securities of listed companies;

(F) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

(G) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

(H) All securities listed on The Nasdaq Stock Market[SM] (Nasdaq National Market® and The Nasdaq SmallCap Market[SM]).

the margin or credit required shall be determined based on the published basic margin rate for the most junior listed security of the same issuer company as approved by a recognized self-regulatory organization, multiplied by the market value of the security position. Where a published rate is unavailable, the following requirements will apply:

[20] Wording has been revised to incorporate a rule change awaiting CSA approval that seeks to separately detail the margin requirements for mutual funds in new IDA Regulation 100.2(l).

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50 may not be carried on margin.

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

(~~iii~~v) **Other unlisted stocks**

~~All~~ For positions in all other unlisted stocks not mentioned above:

Long positions~~:~~ - margin required

~~Margin required -~~ 100% of market value

Short Positions~~:~~ - credit required

Securities selling at $0.50 or more~~:~~ ~~Credit Required~~ - 200% of market value

Securities selling at less than $0.50~~:~~ ~~Credit Required Market~~ - market value plus $0.50 per share

~~(iv) On securites which are described in clauses (i), (ii), (iii) and (iv) of Regulation 100.12(a) (securities eligible for reduced margin), margin shall be 30% of market value.~~

(~~v~~vi) ~~Toronto 35 Index Participation Units, TSE 100 Index Participation Units, baskets of Toronto 35 Index securities and baskets of TSE 100 Index securities~~**Index participation units and qualifying baskets of index securities**

(A) For ~~Toronto 35 Index Participation Units~~index participation units:

(I) In the case of a long position, the floating margin rate percentage (calculated for the ~~Toronto 35 Index Participation Unit~~index participation unit based on its regulatory margin interval) multiplied by the market value of the ~~Toronto 35 Index Participation Units, in the case of a long position~~index participation units;

(~~B~~II) ~~For Toronto 35 Index Participation Units~~ In the case of a short position, 100% plus the floating margin rate percentage (calculated for the ~~Toronto 35 Index Participation Unit~~index participation unit based on its regulatory margin interval~~)~~) multiplied by the market value of the index participation units;

(B) For a qualifying basket of index securities:

(I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the ~~Toronto 35 Index Participation Units, in the case of a short position~~qualifying basket of index securities;

(~~C~~II) ~~For TSE 100 Index Participation Units, the floating margin rate percentage (calculated for the TSE 100 Index Participation Unit based on its regulatory margin interval) multiplied by the market value of the TSE 100 Index Participation Units, in the case of a long position;~~

~~(D) For TSE 100 Index Participation Units, 100% plus the floating margin rate percentage (calculated for the TSE 100 Index Participation Unit based on its regulatory margin interval) multiplied by the market value of the TSE 100 Index Participation Units, in~~ In the case of a short position~~;~~

~~(E) For a basket of Toronto 35 Index securities, the floating margin rate percentage (calculated for a perfect basket of Toronto 35 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of Toronto 35 Index securities, multiplied by the market value of the basket of Toronto 35 Index securities, in the case of a long position;~~

~~(F) For a basket of Toronto 35 Index securities~~, 100% plus the floating margin rate percentage (calculated for a perfect basket of ~~Toronto 35 Index~~index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of ~~Toronto 35 Index~~index securities, multiplied by the market value of the qualifying basket of ~~Toronto 35 Index~~index securities~~, in the case of a short position;~~

~~(G) For a basket of TSE 100 Index securities, the floating margin rate percentage (calculated for a perfect basket of TSE 100 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of TSE 100 Index securities, multiplied by the market value of the basket of TSE 100 Index securities, in the case of a long position;~~

~~(H) For a basket of TSE 100 Index securities, 100% plus the floating margin rate percentage (calculated for a perfect basket of TSE 100 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of TSE 100 Index securities, multiplied by the market value fo the basket of TSE 100 Index securities, in the case of a short position~~;

For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(~~v) and~~x), Regulation 100.9(c)(xii), Regulation 100.9(c)(xx) and Regulation 100.9(c)(xxiv) apply.

Regulation 100.2(l) - Amendment #4

~~(1) Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:~~

~~(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or~~

~~(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.~~

Regulation 100.5 - Amendment #5

100.5. Underwriting

(a) In this Regulation 100.5 the expression:

(i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Regulation 100.5(a)(i)(A) so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) commitment amount [issue price x number of shares].

(iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

"The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole."

(iv) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsalability due to market conditions, substantially in the following form:

"If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing."

(v) "new issue letter" means an underwriting loan facility in a form satisfactory to the Vice-President, Financial Compliance. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer will:

(A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Member firm;

(B) advance funds to the Member firm for any portion of the commitment not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circumstances, in the event that the Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Member firm or the firm's customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Member firm either for the firm's own account or for the firm's customers.

in order to recover the loss or potential loss.

(vi) "normal margin" means margin otherwise required by the Regulations.

~~(vii) "normal new issue margin" means:~~

~~(A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to Regulation 100.12(a), 60% of normal margin for the period from the date of commitment to the business day prior to settlement dte and 100% of normal margin from settlement date on;~~

~~(B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to Regulation 100.12(a), 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement dte on; or~~

~~(C) where the market value of the security is less than $2.00 per share, 100% of normal margin.~~

(b) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	Normal ~~new issue~~ margin required from the date of commitment.	10% of normal ~~new issue~~ margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier; 10% of normal ~~new issue~~ margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 25% of normal ~~new issue~~ margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 50% of normal ~~new issue~~ margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 75% of normal ~~new issue~~ margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; Otherwise, normal ~~new issue~~ margin required.

		Without New Issue Letter	*With new issue letter*
(2)	Underwriting agreement includes disaster out clause	50% of normal ~~new issue~~ margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal ~~new issue~~ margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3)	Underwriting agreement includes market out clause	10% of normal ~~new issue~~ margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal ~~new issue~~ margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.
(4)	Underwriting agreement includes disaster out clause and market out clause	10% of normal ~~new issue~~ margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of normal ~~new issue~~ margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the Member has determined through obtaining appropriate documentation:

(i) that the allocation between retail and exempt purchasers has been finalized;

(ii) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;

(iii) that here is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

(iv) that the Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

the following margin rates are hereby prescribed for the portion of the commitment allocated to exempt purchasers:

		Without New Issue Letter	*With new issue letter*
(1)	Underwriting agreement does not include market out clause or disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal ~~new issue~~ margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);	As in (b) above

		Without New Issue Letter	*With new issue letter*
		40% of normal ~~new issue~~ margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal ~~new issue~~ margin is required.	
(2)	Underwriting agreement includes disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal ~~new issue~~ margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal ~~new issue~~ margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal ~~new issue~~ margin is required.	As in (b) above
(3)	Underwriting agreement includes market out clause	As in (b) above	As in (b) above
(4)	Underwriting agreement includes disaster out clause and market out clause	As in (b) above	As in (b) above

(d) Where:

(i) the normal ~~new issue~~ margin required on any one commitment is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such commitment (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the normal ~~new issue~~ margin required on some or all commitments is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) and (c) above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Member's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Member to the issuer.

Regulation 100.12 – Amendment #6

100.12. Notwithstanding Regulation 100.2, margin on securities owned or sold short by a Member shall be provided at the following rates:

~~(a) **Securities eligible for reduced margin**~~

~~25% of the market value if such securities are:~~

~~(i) On the list of securities eligible for reduced margin as approved by a recognized self regulatory organization ("securities eligible for reduced margin") and such securities continue to sell at $2.00 or more;~~

~~(ii) Securities against which options issued by The Options Clearing Corporation are traded;~~

~~(iii) Convertible into securities that qualify under item (i);~~

~~(iv) Non convertible preferred and senior shares of an issuer any of whose securities qualify unde item (i); or~~

~~(v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify unde item (i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.~~

~~For the purpose of this Regulation 100.12(a), the Board of Directors hereby designates, as recognized self regulatory organizations, the Canadian Venture Exchange, the Montreal Exchange and the Investment Dealers Association of Canada.~~

(~~b~~a) **Government-guaranteed securities -** 25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

(~~c~~b) **Floating rate preferred shares**

~~(i) 10% of market value, if any securities of the issuer are securities eligible for reduced margin;~~

~~(ii) 25% of market value, if no securities of the issuer are securities eligible for reduced margin;~~

~~(iii) If the floating rate preferred shares are selling over par, are convertible into other securities of the issuer and any securities of the issuer are securities eligible for reduced margin, 10% of the par value and 25% of the excess of market value over par;~~

~~(iv) If the floating rate preferred shares are selling over par, are convertible into other securities of the issuer but no securities of the issuer are securities eligible for reduced margin, 25% of the par value and 50% of the excess of market value over par;~~

~~(v) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.~~

(i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;

(ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:

(A) the sum of:

(I) the effective rate determined in Regulation 100.12(b)(i) multiplied by par value; and

(II) the excess of market value over par value;

and

(B) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

(iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Regulation 100.12(~~c~~b), the term “floating rate preferred share” means a special or preferred share described in paragraphs (i), ~~or~~ (ii) of Regulation 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate ~~and the term “securities eligible for reduced margin” shall have the meaning ascribed to it in Regulation 100.12(a)(i)~~.

(~~d~~c) **Floating rate debt obligations**

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Regulation 100.12(~~d~~c), the term "floating rate debt obligation" means a debt instrument described in Regulation 100.2(a)(i), (ii), (iii), or (vi) or in Regulation 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

(~~e~~d) **Bank warrants for government securities**

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purposes of this Regulation 100.12(~~e~~d), bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in

Regulation 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

~~(f) **Securities Held in Registered Trader's Account**~~

~~25% of the market value if such securities:~~

~~(i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has "on post" trading privileges;~~

~~(ii) Have traded for a value of not less than $2.00 per share for the previous calendar quarter.~~

~~The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Member of:~~

~~(i) $100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System; and~~

~~(ii) $50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System.~~

~~Margin for excess position of market value on amounts over $100,000 and $50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Regulation 100.12(f) shall not exceed 50% of the Member's net allowable assets.~~

~~(g) **Toronto 35 Index Participation Units, TSE 100 Index Participation Units and baskets of Toronto 35 Index and TSE 100 Index products**~~

~~(A) For Toronto 35 Index Participation Units, the floating margin rate percentage (calculated for the Toronto 35 Index Participation Unit based on its regulatory margin interval) multiplied by the market value of the Toronto 35 Index Participation Units, in the case of a long or short position;~~

~~(B) For TSE 100 Index Participation Units, the floating margin rate percentage (calculated for the TSE 100 Index Participation Unit based on its regulatory margin interval) multiplied by the market value of the TSE 100 Index Participation Units, in the case of a long or short position;~~

~~(C) For a basket of Toronto 35 Index securities, the floating margin rate percentage (calculated for a perfect basket of Toronto 35 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of Toronto 35 Index securities, multiplied by the market value of the basket of Toronto 35 Index securities, in the case of a long or short position;~~

~~(D) For a basket of TSE 100 Index securities, the floating margin rate percentage (calculated for a perfect basket of TSE 100 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of TSE 100 Index securities, multiplied by the market value of the basket of TSE 100 Index securities, in the case of a long or short position;~~

~~For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(v) and Regulation 100.9(c)(xiv) apply.~~

(~~h~~e) ~~**Government of Canada debt covered by futures**~~ **Debt and equity security offsets with futures and forwards**

A Member's long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the ~~TSE~~Toronto Stock Exchange which is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).

Amendment #7 – Form 1, Schedule 2

DATE: _____ SCHEDULE 2

PART II
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

Category	Market Value – Long	Market Value – Short	Margin Required
1. Money market	$	$	$
Accrued interest			NIL
TOTAL MONEY MARKET			
2. Bonds			
Accrued interest			NIL
TOTAL BONDS			
3. Equities			
Accrued interest on convertible debentures			NIL
TOTAL EQUITIES			
4. Options			
5. Futures	NIL	NIL	
6. Other			
Accrued interest			NIL
TOTAL OTHER			
~~7. Registered traders, specialists and market makers *[see instructions]*~~	~~NIL~~	~~NIL~~	
~~8~~7. TOTAL		$ A-52	$ B-7
~~9~~8. **LESS**: Securities, including accrued interest, segregated for client free credit ratio calculation *[see instructions]*	A-8 & D-7		
~~10~~9. NET TOTAL	$ A-7		

SUPPLEMENTARY INFORMATION

~~11.~~10. Market value of securities included above but held on deposit with Acceptable Clearing Corporations or Regulated Entities as variable base deposits or margin deposits $ _____

~~12.~~11. Margin reduction from offsets against Trader reserves, PDO guarantees or General allowances $ _____

[see notes and instruction]

SCHEDULE 2
NOTES AND INSTRUCTIONS

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund.

2. Schedule 2 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.

3. Where the firm utilizes the computerized options margining program of a recognized Exchange operating in Canada, the margin requirement produced by such program may be used provided the positions in the firm's records agree with the positions in the Exchange computer. No details of such positions are to be reported if the programs are employed. Details of any adjustments made to the margin calculated by an Exchange computer-margining program must be provided. For the purposes of this paragraph, recognized Exchange means The Montreal Exchange.

4. The Examiners and/or Auditors of the Joint Regulatory Bodies may request additional details of securities owned or sold short as they, in their discretion, believe necessary.

5. Where there are margin offsets between categories, the residual should be shown in the category with the larger initial margin required before offsets.

Line 1 - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.

Supplementary instructions for reporting money market commitments:

"Market Price" for money market commitments [fixed-term repurchases, calls, etc.] shall be calculated as follows:

(a) Fixed date repurchases [no borrower call feature] - the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.

(b) Open repurchases [no borrower call feature] - prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in (a) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

(c) Repurchase with borrower call features - the market price is the borrower call price. No margin is required where the total consideration for which the holder can put the security back to the dealer is less than the total consideration for which the dealer may put the security back to the issuer. However, where a holder consideration exceeds dealer consideration [the dealer has a loss], the margin required is the lesser of:

    (1) the prescribed rate appropriate to the term of the security, and

    (2) the spread between holder consideration and dealer consideration [the loss] based on the call features subject to a minimum of ¼ of 1% margin.

Line ~~7~~ ~~(i) The minimum margin requirement for each TSE registered trader is $50,000.~~

~~(ii) The minimum margin requirement for each ME registered specialist is the lesser of $50,000 or an amount sufficient to assume a position of twenty board lots of each security in which such specialist is registered, subject to a maximum of $25,000 per issuer.~~

~~(iii) The market maker minimum margin requirement is for the TSE $50,000 for each specialist appointed and for the ME$10,000 for each security and/or class of options appointed (not to exceed $25,000 for each market maker in each preceding case). No minimum margin is required where the market maker does not have any appointment.~~

~~The above noted minimum margin for each registered trader, specialist, or market maker may be applied as an offset to reduce any margin on positions held long or short in the registered trading account of such registered trader, specialist or market maker. It cannot be used to offset margin required for any other registered trader, specialist or market maker or for any other security positions of the member.~~

~~The market values related to positions in registered traders, specialists and market maker accounts should be included in the appropriate categories in the preceding lines of the Schedule. Related margin in excess of the minimum margin reported on this line should also be included in the preceding lines.~~

~~Line 9~~8 - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a party to the Basle Accord), which are segregated and held separate and apart as the Member firm's property.

Line ~~12~~11 - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the firm and the trader permitting the firm to recover realized or unrealized losses from the IA reserve account. Include margin reductions arising from guarantees relating to inventory accounts by Partners, Directors, and Officers of the firm (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the firm.

Attachment #4

ANALYSIS OF IMPACT UPON IMPLEMENTATION

Impact based on number of listings affected *(six year average)*

	Member firm rates		Customer account rates	
	Amount	**Percent**	**Amount**	**Percent**
Rate decrease >= 20%	472	29.01%	472	29.01%
Rate decrease < 20%	591	36.31%	631	38.79%
Rate unchanged	166	10.19%	131	8.07%
Rate increase < 20%	58	3.54%	52	3.19%
Rate increase >= 20%	341	20.94%	341	20.94%
Total number of listings	1,628	100.00%	1,628	100.00%

Impact based on traded value *(six year average – dollar amounts in millions)*

	Member firm rates		Customer account rates	
	Amount	**Percent**	**Amount**	**Percent**
Rate decrease >= 20%	$10,228	3.52%	$10,228	3.52%
Rate decrease < 20%	$236,068	81.20%	$260,393	89.56%
Rate unchanged	$24,414	8.40%	$7,793	2.68%
Rate increase < 20%	$15,871	5.46%	$8,167	2.81%
Rate increase >= 20%	$4,151	1.43%	$4,151	1.43%
Total traded value	$290,732	100.00%	$290,732	100.00%

ANALYSIS OF ONGOING IMPACT

Impact based on number of listings affected *(six year average)*

	Member firm rates		Customer account rates	
	Amount	**Percent**	**Amount**	**Percent**
Rate decrease >= 20%	114	7.03%	106	6.51%
Rate decrease < 20%	154	9.43%	105	6.42%
Rate unchanged	1,088	66.86%	1,187	72.93%
Rate increase < 20%	115	7.07%	83	5.11%
Rate increase >= 20%	102	6.27%	93	5.69%
New listings	54	3.34%	54	3.34%
Total number of listings	1,627	100.00%	1,627	100.00%

Impact based on traded value *(six year average – dollar amounts in millions)*

	Member firm rates		Customer account rates	
	Amount	**Percent**	**Amount**	**Percent**
Rate decrease >= 20%	$8,450	2.99%	$7,520	2.66%
Rate decrease < 20%	$29,528	10.43%	$11,530	4.07%
Rate unchanged	$195,858	69.21%	$241,749	85.43%
Rate increase < 20%	$36,406	12.86%	$10,978	3.88%
Rate increase >= 20%	$5,191	1.83%	$3,654	1.29%
New listings	$7,558	2.67%	$7,558	2.67%
Total number of listings	$282,991	100.00%	$282,991	100.00%

Attachment #5

SUMMARY OF "BASIC MARGIN RATE" PROPOSAL BACK-TESTING

The following table summarizes the back-testing performed to determining the adequacy of margin rates set using the proposed methodology as at December 31, 2004:

Liquidity risk category	Current margin rate approach			Proposed margin rate approach		
	Average sample[1] margin rate	Average number of sample violation days[2]	Average violation day percentage	Average sample[1] margin rate	Average number of sample violation days[3]	Average violation day percentage
"Higher than typical" (2 day coverage)	32.26%	0.00	0.00%	15.33%	0.07	0.11%
"Higher than typical" (3 day coverage)	47.99%	0.10	0.16%	19.17%	0.17	0.27%
"Typical" (4 day coverage)	59.54%	0.07	0.11%	32.08%	0.38	0.62%
"Lower than typical" (4 day coverage plus liquidity premium)	65.95%	0.17	0.27%	65.67%	0.23	0.38%
"Low" (either 75% or 100% margin rate)	Back testing work was not performed because liquidity of these issues is at such a low level that the accuracy of the actual pricing data in predicting actual realization value is suspect.					

1 Back testing was performed on a sample of security issues in each of the liquidity risk categories. The total sample tested was 150 as follows:

- "Higher than typical" (2 day coverage) – sample of 30
- "Higher than typical" (3 day coverage) – sample of 30
- "Typical" (4 day coverage) – sample of 60
- "Lower than typical" (2 day coverage) – sample of 30

2. To determine the number of violation days under the current method, the current margin rate for each trading day was compared to the absolute value of actual price change over the coverage period indicated by the issue's liquidity risk categorization for each of the 62 trading days from January 1, 2005 to March 31, 2005.
3. To determine the number of violation days under the proposed method, the proposed margin rate calculated as at December 31, 2004 was compared to the absolute value of actual price change over the coverage period indicated by the issue's liquidity risk categorization for each of the 62 trading days from January 1, 2005 to March 31, 2005.

13.1.3 Request for Comments - Amendments to the TSX Direct Access Rules

REQUEST FOR COMMENTS
AMENDMENTS TO THE DIRECT ACCESS RULES

The Board of Directors of TSX Inc. has approved amendments (Amendments) to the Rules of the Toronto Stock Exchange (TSX Rules). The Amendments broaden the prescribed classes of eligible clients set out in Policy 2-501(1) in three main ways:

(i) they expand the existing class of investment counsellors and portfolio managers to include other Canadian registrants (for example, investment dealers) other than Participating Organizations (POs);

(ii) they expand the existing class of foreign dealers who are affiliated with POs to include any foreign dealer whose home jurisdiction is a Basle Accord Country; and

(iii) they include a new class of clients that have total securities under management of at least $10 million and who are domiciled in a Basle Accord Country.

The text of the Amendments, shown as blacklined text, is attached. Discussion of the Amendments is provided in Part II below. The Amendments will be effective upon approval by the Ontario Securities Commission (Commission) following public notice and comment. Comments on the proposed amendments should be in writing and delivered by February 13, 2006 to:

Deanna Dobrowsky
Legal Counsel, Market Policy & Structure
TSX Group Inc.
The Exchange Tower
130 King Street West, 3rd Floor
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
e-mail: deanna.dobrowsky@tsx.com

A copy should also be provided to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Terms not defined in this Request for Comments are defined in the TSX Rules.

I. Overview

Toronto Stock Exchange (Exchange), similar to exchanges that operate in major capital markets around the world, allows certain customers to access its trading systems through sponsored direct access. This allows a customer's order flow to reach the Exchange quickly as the order passes through electronic infrastructure before entering the trading engine for execution. The sponsored direct access mechanism has been made available through a set of rules and policies of Toronto Stock Exchange. Specifically, Rule and Policy 2-501 provides the prescribed categories of eligible clients, Rule and Policy 2-502 outlines the conditions for connection, and Rule 2-503 clarifies the responsibility of POs that offer this service.

The purpose of sponsored direct access is to facilitate a differentiated service to certain customers. In particular, this service provides convenience as the customer can "self-serve" its needs without intermediary interference. It also reduces the potential for information leakage, as the customer's proprietary trading strategy is not shared with the PO. This has the effect of reducing both explicit and implicit trading costs. Explicit trading costs are reduced as commissions charged by POs are lower on sponsored direct access trading because there are fewer and lower fixed and variable costs borne by the PO. Implicit trading costs decrease as the market impact of information leakage is reduced.

Lower trading costs paid by sponsored direct access clients ultimately add liquidity to the marketplace. These clients typically re-inject their savings from lower trading costs by adding incremental order flow to the market. These clients typically are supported by electronic systems that allow a greater number of orders to be entered and simultaneously managed by the trader, which

adds to the size and depth of liquidity in the marketplace. Therefore, the price discovery process on the Exchange will be improved as sponsored direct access trading increases. This activity ultimately benefits capital markets as a whole.

The sponsored direct access rules were created in 1985, originally introduced as Toronto Stock Exchange Policy XXX. The rules have undergone some changes since then, but as Toronto Stock Exchange has evolved from a member-owned self-regulatory organization (SRO) to a globally competitive, publicly-owned exchange, these rules have not been revised to reflect the way market players interact with each other. The following illustrates the evolution of the eligibility category:

1985 – The original rule covered Canadian "defined financial institutions". Qualifications revolved around credit worthiness. Toronto Stock Exchange was a member-owned SRO at the time.

1994 - Seeking more order flow, the rule was expanded to include certain US qualified institutions, and Canadian investment counselors and portfolio managers.

1996 - To continue to enhance liquidity, the US qualified institution list was expanded to include US broker-dealers and other US registered institutions.

1999 – The rule was revised to ensure that a foreign dealer affiliated with a PO would not have its order flow restricted in any way.

2000 – In response to Canadian Securities Administrators' granting relief from certain suitability requirements, this category was expanded to include order-execution accounts.

II. Discussion of the Amendments

The intent of the Amendments is to modernize the definition of an eligible client to better service the needs of market participants. We also believe that the Amendments will increase order flow and therefore add liquidity to the Exchange. In drafting the Amendments, we have reviewed the Investment Dealers Association's (IDA) proposed Policy No. 4 – Minimum Standards for Institutional Account Opening, Operation and Supervision (IDA Policy 4). Proposed IDA Policy 4 recognizes that client accounts fall under two broad categories, institutional and retail. Proposed IDA Policy 4 will create consistency across the industry on procedures for opening institutional accounts, institutional account suitability review, and supervision of these accounts. In proposed IDA Policy 4, "institutional customer" is defined as: (i) Acceptable Counterparties; (ii) Acceptable Institutions; (iii) Regulated entities; (iv) Registrants (other than individual registrants) under securities legislation; and (v) a non-individual with total securities under administration or management exceeding $10 million. Many of the categories outlined in TSX Policy 2-501(1) already incorporate portions of the IDA's proposed definition of "institutional customer". Because sponsored direct access is very much intended to be used as trading tool by institutional clients, we believe that changing TSX Policy 2-501(1) to better align with the IDA's definition of institutional customer is a logical extension of the sponsored direct access rules.

Expand Investment Counsellor Category

TSX Policy 2-501(1)(b) is being revised to become consistent with proposed IDA Policy 4 – Part I.A.4 (the "registrant" part of the institutional customer definition). This change will allow all non-individual Canadian registrants to be eligible clients, as long as they are not POs. Recently, we have seen investment counsellors upgrade their registration status to investment dealer. This provides increased functionality and a higher profile for these entities. It is illogical that a company can be an eligible client when it is an investment counsellor, but loses this status when it upgrades its registration to investment dealer. The historical rationale for limiting registrant access was protectionist in nature. That is, investment dealers were forced to become POs if they wanted access to the Exchange. We believe that this barrier should now come down, as these entities would be worthy eligible clients.

Expand Foreign Dealer Category

TSX Policy 2-501(1)(c) currently does not treat non-U.S. foreign dealers equitably with their U.S. counterparts, as non-U.S. dealers must have a PO affiliate in order to be an eligible client. We believe that registered foreign broker-dealers from acceptable jurisdictions should be permitted to be eligible clients. We know that the Commission will want to ensure that it, Market Regulation Services Inc. (RS), and/or the Exchange, would be in a position to obtain trading and related account information about all eligible clients if the need arises. As such, we have restricted the expanded rule to include foreign broker-dealers from Basle Accord countries. We would expect that the regulators in these jurisdictions would be in a position to work with us, the Commission, and/or RS if trading information was ever needed from these foreign broker-dealer registrants.

This amendment will allow all foreign broker-dealers in Basle Accord Countries to qualify as eligible clients under Policy 2-501(1)(c), and to send orders to the Exchange via sponsored direct access. These orders may originate with a client or at the foreign broker/dealer itself. The foreign broker/dealer's clients need not be eligible clients themselves in order for the foreign broker/dealer to send their orders through sponsored direct access to the Exchange. With respect to U.S. registered dealers, so long as the U.S. remains a Basle Accord Country, U.S. registered dealers will qualify as eligible clients under Policy 2-501(1)(c),

and will be able to operate in compliance with this policy subsection even if they also qualify as eligible clients under Policy 2-501(1)(e).

Other Institutional Customers (Asset Test)

This rule change attempts to be consistent with proposed IDA Policy 4's definition of institutional customer. We believe that consistent definitions among SROs and marketplaces provide clarity to market participants. Proposed IDA Policy 4 – Part I.A.5 defines an institutional customer as including a "non-individual with total securities under administration or management exceeding $10 million."

This definition recognizes that smaller accounts of non-individuals may indeed represent sophisticated order flow and trading strategies. When using a high threshold financial means test to determine whether a client is sophisticated, the aggregate value of securities held in a company's portfolio is assumed to determine the sophistication of the client. We believe that in this evolving global market, assessing sophistication based solely on assets held is a faulty measurement because technology now allows smaller pools of capital to trade with sophisticated strategies. The sophistication of a client may better be determined by assessing the velocity in which securities are traded through its portfolio.

The new category set out in TSX Policy 2-501(1)(i) uses the language from proposed IDA Policy 4, but narrows this category to include only Basle Accord country domiciles. This should provide protection to Canadian markets if, as discussed above, regulatory investigations with respect to these clients are undertaken.

Housekeeping Changes

TSX Policy 2-501(1)(a) is revised to include "regulated entities" as an eligible client. This is consistent with the drafting in proposed IDA Policy 4. We do not expect that this will substantively change the category. TSX Policy 2-502(5) is deleted in its entirety as we do not operate an eWAP facility. TSX Policy 2-502(6) is deleted in its entirety as we no longer operate the POSIT call market.

III. Amendment Process

After discussion with various POs, proposed changes were raised for discussion at the June 2005 meeting of the Trading Advisory Committee (TAC) for TSX Inc. In July 2005, the Amendments were reviewed and approved by TAC. On July 26, 2005, the Board of Directors of TSX Inc. approved the Amendments.

IV. Other Jurisdictions

Competitors to Toronto Stock Exchange have recognized that expanding sponsored direct access is beneficial to the marketplace, and therefore have reduced related barriers. We summarize our findings below.

New York Stock Exchange – Allows institutional investors that are sponsored by a member firm to enter orders in the DOT system (the NYSE electronic order routing system) anonymously. NYSE does not prescribe any eligibility requirements for institutional investors.

NASDAQ – Similar to NYSE, customers require sponsorship (that is, a dealer to take regulatory responsibility) in order to directly access NASDAQ's SelectNet service. (SelectNet permits NASD member firms to enter buy/sell orders into the system and either direct the order to a market maker or broadcast the order to market participants.) The NASD does not prescribe eligibility categories in its rules.

London Stock Exchange – Members may allow buy-side firms to access the exchange through an automated order routing system, which receives and transmits orders to the Exchange. It does not prescribe eligibility requirements.

Euronext – Members may allow filtered access to clients. Euronext does not prescribe client eligibility requirements and it does not prescribe filter requirements.

As set out above, North American competitors to the Exchange and the major global exchanges comparable to the Exchange do not have any eligibility requirements for sponsored direct access. If the Amendments are approved by the Commission, the Exchange will maintain stronger standards for sponsored direct access than its competitors, while enhancing our POs' ability to serve their institutional clients. We believe that this is a fair balance between access for sophisticated investors and protection for our marketplace.

V. Public Interest Assessment

The Amendments are designed to expand the category of eligible client, the result of which will bring increased liquidity and enhanced price discovery to the Exchange. At the same time, our standards for sponsored direct access eligibility and access will remain among the toughest in the world. For these reasons, we believe that the Amendments are not contrary to the public interest.

We submit that in accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals, the Amendments will be considered “public interest” in nature. The Amendments would, therefore, only become effective following public notice, a comment period and the approval of the Commission.

VI. Questions

Questions concerning this notice should be directed to Deanna Dobrowsky, Legal Counsel, Market Policy & Structure, TSX Group Inc. at (416) 947-4361.

THE RULES
OF
THE TORONTO STOCK EXCHANGE

RULES (as at December 1, 2004)	POLICIES
DIVISION 5 – CONNECTION OF ELIGIBLE CLIENTS OF PARTICIPATING ORGANIZATIONS	
2-501 Designation of Eligible Clients	**2-501 Designation of Eligible Clients**
The Exchange may from time to time prescribe classes of entities as eligible to transmit orders to the Exchange through a Participating Organization.	(1) Prescribed Classes of Entities For the purposes of Rule 2-501, the following classes of entities are prescribed as eligible to transmit orders to the Exchange through a Participating Organization: (a) a client that falls within the definition of "acceptable counterparties" ~~or~~, "acceptable institutions", or "regulated entities" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report; (b) a client that is ~~registered as an investment counsellor or portfolio manager~~a non-individual and a registrant under the *Securities Act* of one or more of the Provinces and Territories of Canada, and is not a Participating Organization; (c) a client that is a foreign broker or dealer (or the equivalent registration) registered ~~with the appropriate regulatory body~~ in the broker's or dealer's home jurisdiction ~~and that is an affiliate of a Participating Organization acting for its own account, the accounts of other eligible clients or the accounts of its clients~~, where the home jurisdiction falls within the definition of "Basle Accord Countries" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report; (d) a client that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the customer and falls into one of the following categories: (i) an insurance company as defined in section 2(13) of the U.S. Securities Act of 1933, (ii) an investment company registered under the U.S. Securities Act of 1933 or any business development company as defined in section 2(a)(48) of that Act, (iii) a small business investment company

RULES (as at December 1, 2004)	POLICIES
	licensed by the U.S. Small Business Administration under section 301(c) or (d) of the U.S. Small Business Investment Act of 1958, (iv) a plan established and maintained by a U.S. state, its political subdivisions, or any agency or instrumentality of a U.S. state or its political subdivisions, for the benefit of its employees, (v) an employee benefit plan within the meaning of Title I of the U.S. Employee Retirement Income Securities Act of 1974, (vi) a trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in (iv) or (v) above, except trust funds that include as participants individual retirement accounts or U.S. H.R. 10 plans, (vii) a business development company as defined in section 202(a)(22) of the U.S. Investment Advisers Act of 1940, (viii) an organization described in section 501©(3) of the U.S. Internal Revenue Code, corporation (other than a bank as defined in section 3(a)(2) of the U.S. Securities Act of 1933 or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933 or a foreign bank or savings and loan association or equivalent institution), partnership or Massachusetts or similar business trust, and (ix) an investment adviser registered under the U.S. Investment Advisers Act; (e) a client that is a dealer registered pursuant to section 15 of the U.S. Securities Exchange Act of 1934, acting for its own account or the accounts of other eligible clients, that in the aggregate owns and invests on a discretionary basis at least $10 million of securities of issuers that are not affiliated with the dealer, provided that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer; (f) a client that is an investment company registered under the U.S. Investment

RULES (as at December 1, 2004)	POLICIES
	Company Act, acting for its own account or for the accounts of other Qualified Institutions, that is part of a family of investment companies which own in the aggregate at least $100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies and, for these purposes, "family of investment companies" means any two or more investment companies registered under the U.S. Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided, for these purposes: (i) each series of a series company (as defined in Rule 18f-2 under the U.S. Investment Company Act) shall be deemed to be a separate investment company, and (ii) investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor); (g) a client, all of the equity owners of which are Qualified Institutions, acting for its own account or the accounts of other Qualified Institutions; (h) a client that is a bank as defined in section 3(a)(2) of the U.S. Securities Act of 1933, or any savings and loan institution or other institution as referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933, acting for its own account or the accounts of other Qualified Institutions, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least $25 million; (i) a client that is a non-individual with total securities under administration or management exceeding $10 million, where the client is domiciled in a jurisdiction that falls within the definition of "Basle Accord Countries" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report; and

RULES (as at December 1, 2004)	POLICIES
	(j) ~~(i)~~ a client that enters an order through an Order-Execution Account. (2) Interpretation For the purposes of Policy 2-501(1): 1. In determining the aggregate amount of securities owned and invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps. 2. The aggregate value of securities owned and invested on a discretionary basis by an entity shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value and no current information with respect to the cost of those securities has been published and in the latter event, the securities may be valued at market. In determining the aggregate amount of securities owned by an entity and invested on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the discretion of the entity, except that, unless the entity is a reporting company under section 13 or 15(d) of the U.S. Securities Exchange Act, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.
2-502 Conditions for Connections A Participating Organization may transmit orders received electronically from an eligible client directly to the trading system provided that the Participating Organization has: (a) obtained prior written approval of the Exchange that the system of the Participating Organization meets the prescribed conditions; (b) obtained prior written approval of the Exchange for a standard form of agreement containing the prescribed conditions to be entered into between the Participating Organization and an eligible client and the Participating Organization has entered into an agreement in such form with the eligible client; and	**2-502 Conditions for Connections** (1) System Requirements For the purposes of Rule 2-502(a), the system of the Participating Organization is required to: (a) support compliance with Exchange Requirements dealing with the entry and trading of orders by all eligible clients who will have direct access (for example, it must support all valid order information that may be required, including designation of short sales); (b) ensure security of access to the system (for example, through a password that will only enable persons at the eligible client authorized by the Participating Organization to have access to the system);

RULES (as at December 1, 2004)	POLICIES
(c) met such other conditions as prescribed.	(c) comply with specific requirements prescribed pursuant to Rule 2-502, including a facility to receive an immediate report of the entry or execution of orders; (d) enable the Participating Organization to employ order parameters or filters that will route orders over a certain size or value to the Participating Organization's trading desk (which parameters can be customized for each eligible client on the system); and (e) enable the Participating Organization to transmit information concerning unattributed orders entered by eligible clients to the Participating Organization's compliance staff on a real time basis. (2) Standard Form of Agreement For the purposes of Rule 2-502(b), the agreement between the Participating Organization and the client shall provide that: (a) the eligible client is authorized to connect to the Participating Organization's order routing system~~, eVWAP Facility, or the POSIT Call Market;~~; (b) the eligible client shall enter orders in compliance with Exchange Requirements respecting the entry and trading of orders and other applicable regulatory requirements; (c) specific parameters defining the orders that may be entered by the eligible client are stated, including restriction to specific securities or size of orders; (d) the Participating Organization has the right to reject an order for any reason; (e) the Participating Organization has the right to change or remove an order in the Book and has the right to cancel any trade made by the eligible client for any reason; (f) the Participating Organization has the right to discontinue accepting orders from the eligible client at any time without notice; (g) the Participating Organization agrees to train the eligible client in the Exchange Requirements dealing with the entry and trading of orders and other applicable Exchange Requirements; and (h) the Participating Organization accepts the responsibility to ensure that revisions and updates to Exchange Requirements relating to the entry and trading of orders are promptly

RULES (as at December 1, 2004)	POLICIES
	communicated to the eligible client. (3) Additional Requirements For the purposes of Rule 2-502(c), the following additional conditions shall apply: 1. Any changes to the standard system interconnect agreement shall be approved by the Exchange in writing before becoming effective. 2. If required by the terms of the agreement between the eligible client and the Participating Organization, the Participating Organization shall ensure that its eligible clients are trained in the appropriate Exchange trading rules, as well as the use of the terminal and system. Training materials regarding Exchange trading rules that the Participating Organization proposes to use must be reviewed by the Exchange prior to use. 3. The Participating Organization shall have the ability to receive an immediate report of the entry and execution of orders. The Participating Organization shall have the capability of rejecting orders that do not fall within the designated parameters of authorized orders for a particular client. 4. The Participating Organization shall designate a specific person as being responsible for the System Interconnect. Orders executed through System Interconnects shall be reviewed for compliance and credit purposes daily by such designated person of the Participating Organization. 5. The Participating Organization shall have procedures in place to ensure that only eligible clients use System Interconnects and that such eligible clients can comply with Exchange Requirements and other applicable regulatory requirements. The eligibility of eligible clients using System Interconnects shall be reviewed at least annually by the Participating Organization. 6. The Participating Organization shall make available for review by the Exchange, as required from time to time, copies of the system interconnect agreements between the Participating Organization and its eligible clients. (4) Order-Execution Account Requirements If the agreement required by Rule 2-502(b) is between a Participating Organization and a client in respect of an Order-Execution Account, the agreement: (a) may be in written form or be in the form of a written or electronic notice acknowledged by the client prior to the entry of the initial order in respect of such Order-Execution Account; and

RULES (as at December 1, 2004)	POLICIES
	(b) may omit provisions that would otherwise be required by Policy 2-502(2)(c), (g) and (h) if the order routing system of the Participating Organization: (i) enforces the Exchange Requirements relating to the entry of orders, or (ii) routes orders that do not comply with Exchange Requirements relating to the entry of orders to an Approved Trader for review prior to entry to the trading system. ~~(5) eVWAP Facility Requirements~~ ~~(a) Notwithstanding Policy 2-501(1)(i), for the purposes of Rule 2-501, clients eligible to transmit orders to the Exchange's eVWAP Facility exclude:~~ ~~(i) a client that is the resident in the U.S., and~~ ~~(ii) a client entering orders through and Order Execution Account.~~ ~~(b) If the agreement required by Rule 2-502(b) is between a designated Participating Organization and a client with respect to the eVWAP Facility, the agreement may omit provisions which may otherwise be required by Policy 2-502(1)(d), 2-502(2)(d) and (e), and 2-502(2)(3)3 if the system through which the order is transmitted:~~ ~~(i) enforces Exchange Requirements relating to the entry of orders,~~ ~~(ii) enforces the credit limits imposed by the designated Participating Organization, and~~ ~~(iii) has the ability to transmit a trade report to both the client and the designated Participating Organization.~~ ~~(6) POSIT Call Market Requirements~~ ~~The agreement required by Rule 2-502(b) between a Participating Organization and a client with respect to the POSIT Call Market may omit provisions otherwise required by Policy 2-502(1)(d), 2-502(2)(d) and (e), and 2-502(3)3 if:~~ ~~(a) the agreement provides that any person, other than the Exchange, who provides software, hardware or services to the Exchange ("Third Party Provider") to support the operations of, or the services or information accessible through, the trading system which shall include without limitation,~~

RULES (as at December 1, 2004)	POLICIES
	~~the POSIT Call Market, shall not be liable to the Participating Organization or the eligible client or any other person for any loss, damage, cost, expense or other liability or claim (including loss of business, profits, trading losses, loss of anticipated profits, business interruption, loss of business information or for indirect, special, punitive, consequential or incidental loss or damage or other pecuniary loss) of any nature arising from any use or inability to use the trading system, howsoever caused, including by the Third Party Provider's negligence or reckless or wilful act or omissions, even if the Third Party Providers are advised of such possibilities; and~~ ~~(b) a system through which the order is transmitted:~~ ~~(i) enforces Exchange Requirements relating to the entry of POSIT Orders; and~~ ~~(ii) has the ability to generate a trade report to the client and, for the purposes of disseminating the trade report to eligible clients outside of Canada, to the designated Participating Organization; and~~ ~~(c) the Participating Organization has the ability to access an eligible client's trade report through the STAMP query.~~
2-503 Responsibility of Participating Organizations A Participating Organization which enters into an agreement with a client to transmit orders received from the client in accordance with Rule 2-502 shall: (a) be responsible for compliance with Exchange Requirements with respect to the entry and execution of orders transmitted by eligible customers through the Participating Organization; and (b) provide the Exchange with prior written notification of the individual appointed to be responsible for such compliance.	

13.1.4 IDA Regulation 100.8 - Commodity Futures Contracts and Futures Contract Options

INVESTMENT DEALERS ASSOCIATION OF CANADA –

REGULATION 100.8 - COMMODITY FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS

I Overview

A Current Rules

Current Regulation 100.8 sets our both general and specific product capital and margin requirements for commodity futures contracts and futures contract options.

B The Issue

The current regulation contains a number of redundant sections that detail the margin treatment of index and commodity derivative products that no longer exist. The proposed amendments seek to repeal these redundant sections while retaining the general capital and margin requirements for commodity futures and futures contract options positions.

C Objective(s)

The objectives of these housekeeping amendments are to repeal redundant product specific sections and make other housekeeping changes to Regulation 100.8. The current general capital and margin requirements for commodity futures and futures contract options positions will be retained.

D Effect of Proposed Rules

The proposed amendments are housekeeping in nature and will have no impact on market structure, competition, costs of compliance and other rules.

II Detailed Analysis

A Present Rules, Relevant History and Proposed Policy

A detailed review of present rules and relevant history was not considered necessary due to the housekeeping nature of the proposed amendments. The proposed amendments, included as Attachment #1, seek to repeal redundant sections and make housekeeping changes.

B Issues and Alternatives Considered

No other alternatives were considered.

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary due to the housekeeping nature of the proposed amendments.

D Systems Impact of Rule

It is believed that the proposed amendments will have no impact in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.
The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the Association and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that this housekeeping rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

The amendments are believed to be housekeeping in nature as they seek to repeal redundant sections and clarify existing requirements and, as such, will not impact the public.

III Commentary

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is to maintain the current margin requirements for commodity futures and futures contract options, repeal redundant sections and make minor housekeeping wording changes to improve the clarity of the regulation.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV Sources

References:

- IDA Regulation 100.8

V OSC Requirement to Publish for Comment

The Association has determined that the entry into force of the proposed amendments is housekeeping in nature. As a result, a determination has been made that these proposed rule amendments need not be published for comment.

Questions may be referred to:

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Attachment #1

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATION 100.8 - COMMODITY FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation section 100.8 is amended by repealing paragraphs 100.8(e) and 100.8(g) to (m).

2. Regulation paragraph 100.8(f) is amended by:

   a. Renumbering the paragraph 100.8(e); and

   b. Deleting the following text at the beginning of the paragraph

      "An amount shall be deducted equal to the greater of the margin required on either the long side or the short side only with respect to the following inter-commodity spreads held by the Member firm in firm accounts (A) Treasury Bill futures contracts traded on The Toronto Futures Exchange and 90 day U.S. Treasury Bill futures contracts; or (B) long Canada contracts traded on The Toronto Futures Exchange and U.S. Treasury Bill futures contracts."

      And replacing it with the following text:

      "Where a Member's account holds inter-commodity spreads in Government of Canada bond futures contracts and U.S. treasury bond futures contracts traded on recognized exchanges, the margin requirement shall be greater of the margin required on either the long side or the short side only."

3. Regulation paragraph 100.8(n) is amended by replacing the words "Board of Directors" after the word "Regulations" with "Association" and by renumbering the paragraph 100.8(f).

PASSED AND ENACTED BY THE Board of Directors this 13th day of April 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATION 100.8 - COMMODITY FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS

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100.8. **Commodity Futures Contracts and Futures Contract Options**

"Commodity" and **"futures contract"** have the meanings given to such terms under Regulation 1800.1 and **"commodity contract"** means a contract as defined under that Regulation.

Commodity futures contracts and futures contract options (other than purchases of futures contract options which shall be for cash) shall be margined as follows:

(a) Positions of Members and customers shall be marked to market and margined daily at the greatest of:

(i) the rate required by the commodity futures exchange on which the contract is entered into or its clearing house; or

(ii) the rate required by the Member's clearing broker;

provided that where a Member or a customer owns a commodity and such ownership is evidenced by warehouse receipts or comparable documentation and such Member or customer also has a short position in commodity futures contracts in the same commodity, the two positions may be offset and the required margin shall be computed with respect to the net long or net short position only.

(b) In the case of a commodity futures exchange or its clearing house that prescribes margin requirements based on initial and maintenance rates, initial margin shall be required at the time the contract is entered into in an amount not less than the prescribed initial rate. When subsequent adverse price movements in the value of the contracts reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate shall be required. The Member may, in addition, require such further margin or deposit against liability as it may consider necessary as a result of fluctuations in market prices from time to time.

(c) Every Member shall require from each of its customers for whom trades are effected through an omnibus account not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts.

(d) Spread margins may be applicable to an account whenever the account is in a spread position. Every Member shall designate such spread positions on its margin records.

~~(e) For the purpose of determining deductions to net allowable assets in calculating risk adjusted capital under Form 1,~~

~~(i) margin shall be deducted for each open futures contract and each outstanding short position in a futures contract option held in a firm account of the Member in the minimum amount required for such futures contract or position under the Regulations. Where the minimum margin requirements of a clearing house or commodity futures exchange are based on an initial margin rate and a maintenance level, the Member's deduction for principal positions shall be based on the initial margin rate;~~

~~(ii) a margin deficiency in respect of an account maintained with or by a Member, other than a firm account but including omnibus accounts, means for each open futures contract or outstanding short position in a futures contract option the amount by which the margin on deposit in the account is at any time less than:~~

~~(A) the maintenance level prescribed by the commodity futures exchange on which the contract is entered or its clearing house,~~

~~(B) where no maintenance level is so prescribed, the minimum margin prescribed by such exchange or clearing house, or~~

~~(C) such greater amount of margin as may be prescribed under the By-laws and Regulations;~~

~~(iii) positions in futures contracts and short positions in futures contract options held in various firm accounts may be treated as one with respect to each type of position.~~

(iv) (A) The following amounts shall be deducted with respect to each outstanding TFE futures contract held by the Member in firm accounts:

Contract	Open Contracts That Are Not Spread	Spreads in the Same Underlying Interest
TSE 300 Composite Index Contract	$1,000 per contract	$ nil per contract
TSE 100 Index Contract	Floating margin rate percentage multiplied by the future settlement value of the contract	0.40% multiplied by the future settlement value of the contract
Toronto 35 Index Contract	Floating margin rate percentage multiplied by the future settlement value of the contract	0.40% multiplied by the future settlement value of the contract
TSE 300 Composite Spot Index Contract	$1,000 per contract	N/A
Toronto 35 Spot Index Contract	Floating margin rate percentage multiplied by the future settlement value of the contract	N/A

The deductions specified in the above chart apply to both initial and maintenance margins, unless otherwise indicated.

Spread	Capital
TSE 100 Index/Toronto 35 Index Futures Contracts	2.00% multiplied by the future settlement value of the contract, where the settlement value of each contract position in the spread is equal.

(v) Where a Member has an open TFE futures contract or TFE security that is covered by securities pursuant to a Member's covering transaction, the Member's deduction from net allowable assets (Form 1) shall be based on the net position or as otherwise determined by the Vice-President, Financial Compliance.

(vi) For each specialist associated with the Member, an amount shall be deducted by the Member that is equal to the lesser of

(A) $25,000, or

(B) $10,000 for each TFE Option for which the responsibilities of a specialist appointment have been allocated to that specialist.

(vii) The charge to capital with respect to a TFE option and a TFE option related position held by a Member, including firm accounts and such other accounts as the Vice President, Financial Compliance may require, shall be the same as the margin requirements for customers and non-customers, with the following exceptions:

(A) there is no minimum capital requirement per TFE option;

(B) in the treatment of spreads, the long options position may expire before the short options position;

(C) for firm accounts and such other accounts as the Vice President, Financial Compliance may require, the charge against capital for TFE silver option positions:

1. a long silver call option that has a premium of $1.00 or more and that is not used to offset capital required on any other position shall be the market value of the long call, less 50% of the excess of the market value of the underlying silver certificates over the exercise price of the long call; and

2. a long silver put option that has a premium of $1.00 or more and that is not used to offset capital required on any other position shall be the market value of the long put, less 50% of

~~the excess of the exercise price of the long put over the market value of the silver certificates;~~

~~(D) where a short position in silver certificates is offset by a long silver call option, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be 100% of the market value of the long call plus the lesser of,~~

~~(a) 15% of the market value of the short position in the silver certificates; or~~

~~(b) the excess of the exercise price of the long call over the market price of the silver certificates, multiplied by the unit of trading;~~

~~the excess of the market price of the silver certificates over the exercise price of the long call, multiplied by the unit of trading, may be applied against the capital charge on the long Call, but cannot reduce the capital required on the long Call to less than zero;~~

~~(E) where a long position in silver certificates is offset by a long silver put option, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be 100% of the market value of the long put plus the lesser of,~~

~~(a) 15% of the market value of the long position in the silver certificates; or~~

~~(b) the excess of the market price of the silver certificates over the exercise price of the long put, multiplied by the unit of trading;~~

~~the excess of the exercise price of the long put over the market price of the silver certificates, multiplied by the unit of trading, may be applied against the capital charge on the long put, but cannot reduce the capital required on the long put to less than zero;~~

~~(F) where a long position in silver certificates is offset by a short silver call option, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be 15% of the market value of the long position in silver certificates, less the market value of the short Call, but in no case less than zero;~~

~~(G) where a short position in silver certificates is offset by a short silver put option, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be 15% of the market value of the short position in silver certificates, less the market value of the short put, but in no case less than zero;~~

~~(H) where a short position in silver certificates is offset by a long silver call option and a short silver put option, and where the exercise price of the long call is not less than the exercise price of the short put, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be the difference, whether positive or negative, between the exercise value of the long call and the market value of the silver certificates. This requirement must be adjusted by the net market value of the silver option premium positions outstanding~~

~~(I) where a long position in silver certificates is offset by a long silver put option and a short silver call option, and where the exercise price of the long put is not greater than the exercise price of the short call, the charge to capital for firm accounts and such other accounts as the Vice-President, Financial Compliance may require shall be the difference, whether positive or negative, between the market value of the silver certificates and the exercise value of the long put. This requirement must be adjusted by the net market value of the silver option premium positions outstanding;~~

~~(f)~~(e) ~~An amount shall be deducted equal to the greater of the margin required on either the long side or the short side only with respect to the following inter-commodity spreads held by the Member in firm accounts (A) Treasury Bill~~ futures ~~contracts traded on The Toronto Futures Exchange and 90-day U.S. Treasury Bill futures contracts; or (B) long Canada contracts traded on The Toronto Futures Exchange and U.S. Treasury Bond futures contracts.~~Where a Member's account holds inter-commodity spreads in Government of Canada bond futures contracts and US treasury bond futures contracts traded on recognized exchanges, the margin requirement shall be greater of the margin required on either the long side or the short side only.

For this purpose, the foregoing spreads shall be on the basis of $1.00 Canadian for each $1.00 U.S. of the contract size of the relevant futures contracts. With respect to the United States side of the above inter-commodity spreads,

such positions must be maintained on a contract market as designated pursuant to the United States *Commodity Exchange Act*.

~~(g) (i) Every Member shall require each person, for whom trades in TFE futures contracts or TFE securities are effected, to deposit and maintain a margin of not less than the following in respect of each contract:~~

~~Contract~~	~~Open Contracts That Are Not Spread~~		~~Spreads in the Same Underlying Interest~~
	~~Speculators~~	~~Hedgers~~	
~~TSE 300 Composite Index Contract~~	~~$1,500 per contract~~	~~$1,000 per contract~~	~~$200 per contract~~
~~Toronto 35 Index Contract~~	~~Initial: Floating margin rate percentage plus 0.5% multiplied by the future settlement value of the contract.~~ ~~Maintenance: Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~0.40% multiplied by the future settlement value of the contract~~
~~TSE 300 Composite Spot Index Contract~~	~~$1,500 per contract~~	~~$1,000 per contract~~	~~N/A~~
~~Toronto 35 Spot Index Contract~~	~~Initial: Floating margin rate percentage plus 0.5% multiplied by the future settlement value of the contract.~~ ~~Maintenance: Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~0.40% multiplied by the future settlement value of the contract~~
~~TSE 100 Index Contract~~	~~Initial: Floating margin rate percentage plus 0.5% multiplied by the future settlement value of the contract.~~ ~~Maintenance: Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~Floating margin rate percentage multiplied by the future settlement value of the contract~~	~~0.40% multiplied by the future settlement value of the contract~~

~~Margins specified in the above chart apply to both initial and maintenance margins unless otherwise indicated.~~

~~Spread~~	~~Margin~~
~~TSE 100 Index/Toronto 35 Index Futures Contracts~~	~~Initial: 2.50% multiplied by the future settlement value of the contract, where the settlement value of each contract position in the spread is equal~~ ~~Maintenance: 2.00% multiplied by the future settlement value of the contract, where the settlement value of each contract position in the spread is equal~~

~~(h) All opening writing transactions for TFE options must be carried in a margin account. For TFE options every Member shall require each writer for whom trades in TFE options are effected to deposit and maintain margin as set out in paragraphs (i), (j), (k), (l) and (m) as follows:~~

(A) each TFE option shall be margined separately and any difference between the market price of the underlying interest and the exercise price of the option shall be considered to be of value only in providing the amount of margin required on that particular option,

(B). the minimum margin on a silver call option carried short in an account shall be 15% of the market price of the underlying silver certificates plus 100% of the current premium of the short call, reduced by any excess of the exercise price over the current market price of the silver certificates, multiplied by the unit of trading;

(C) the minimum margin on a silver put option carried short in any account shall be, 15% of the market price of the underlying silver certificates, plus 100% of the current premium of the short silver put option reduced by any excess of the current market price of the silver certificates over the exercise price multiplied by the unit of trading;

(D) notwithstanding any other provision contained herein, the minimum amount of margin that must be maintained on a silver option carried short in an account shall be 3% of the market price of the underlying silver certificates plus 100% of the current premium of the short option;

(E) where a silver call option is carried long for a customers account and the account is short a silver call option expiring on or before the expiration date of the long silver call option, and written on the same market value of silver certificates, the margin required on the short silver call option shall be the lesser of

1. the margin required pursuant to clauses (B) and (D) above, or

2. the amount, if any by which the exercise price of the long silver call option exceeds the exercise price of the short silver call option multiplied by the unit of trading;

(F) where a silver put option is carried long for a customer's account and the account is also short a silver put option expiring on or before the expiration date of the long silver put option and written on the same market value of silver certificates, the margin required on the short silver put option shall be the lesser of

1. the margin required pursuant to clauses (C) and (D) above, or

2. the amount, if any, by which the exercise price of the short silver put option exceeds the exercise price of the long silver put option, multiplied by the unit of trading;

(G) where a silver call option is carried short against an existing net long position in silver certificates, the minimum margin required shall be the margin on the long position required pursuant to any direction from time to time prescribed by the Vice President, Financial Compliance, based on the lesser of the market value of the silver certificates or the exercise price of the short silver call option;

(H) where a silver put option is carried short for a customer's account and the account is short an equivalent market value of silver certificates, the short silver put option shall be considered fully margined, provided that the short position in silver certificates is fully margined pursuant to any direction from time to time prescribed by the Vice President, Financial Compliance, based on the greater of the market value of the silver certificates or the exercise price of the short silver put option;

(I) no margin shall be required in respect of a silver call option carried short that is covered by the deposit of an escrow receipt. The subject matter of the escrow so deposited in respect of the silver call option shall not be deemed to have any value for margin purposes. Evidence of a deposit of the subject matter of the escrow shall be deemed an escrow receipt for the purposes hereof if the agreements required by the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Vice-President, Financial Compliance on request;

(J) no margin shall be required in respect of a silver call option carried short that is covered by the deposit of a certificate issued by a depository that is approved by the clearing corporation;

(K) no margin shall be required in respect of a silver put option carried short that is covered by the deposit of an escrow receipt certifying that acceptable government securities are being held by the issuer of the escrow receipt for the account of the customer. The acceptable government securities held on deposit

1. shall be government securities

(a) that are acceptable forms of margin for the clearing corporation; and

(b) that mature within one year of their deposit; and

2. shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short silver put option shall not be greater than the clearing corporation's prescribed percentage of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the subject matter of the escrow shall be deemed an escrow receipt for the purposes hereof if the agreements required by the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Vice President, Financial Compliance on request. The issuer of the escrow receipt must be a financial institution approved by the clearing corporation;

(L) no margin shall be required in respect of a short silver put option where the customer has delivered to the Member with which such position is maintained a letter of guarantee, in a form satisfactory to the Vice President, Financial Compliance, issued by a financial institution that has been authorized by the clearing corporation to issue escrow receipts, provided the letter of guarantee certifies that the financial institution

1. holds on deposit for the account of the customer cash in the full amount of the aggregate exercise price of the silver put option and that such amount will be paid to the clearing corporation against delivery of the silver certificates covered by the silver put option; or

2. unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise price of the silver put option against delivery of the silver certificates covered by the silver put option,

and further provided that the Member has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin; and

(M) where a silver call option is carried short in a customer's account and the account is also short a silver put option written on the same market value of silver certificates, the margin required shall be the greater of the margin on the short silver call option position or on the short silver put option position, increased by any unrealized loss on the position having the lesser requirements.

(i) Where a silver call option is carried short and a silver put option is carried long for a customer account, where the exercise price of the long silver put option is not greater than the exercise price of the short silver call option, and where the account is long an equivalent market value of silver certificates, the minimum margin required is the lesser of

(A) the margin required on the long silver certificates and short silver call option, plus the margin required on the long silver put option, or

(B) the margin required on the long silver certificates and long silver put option, plus the margin required on the short silver call option.

(j) Where a short position in silver certificates is offset by a long silver call option and a short silver put option, and where the exercise price of the long call is not less than the exercise price of the short put, the minimum margin required is the lesser of

(A) the margin required on the short silver certificates and long silver call option, plus the margin required on the short silver put option, or

(B) the margin required on the short silver certificates and short silver put option, plus the margin required on the long silver call option.

(k) Where a short position in silver certificates is offset by a long silver call option, the minimum margin required shall he the total of

(A) 100% of the acquisition cost of the long silver call option, plus

(B) 7.5% of the market value of the short silver certificates, plus

(C) any excess of the exercise price of the long silver call option over the market price of the silver certificates, multiplied by the unit of trading, up to an additional 7.5% of the market value of the short position in the silver certificates.

~~(l) Where a long position in silver certificates is offset by a long silver put option, the minimum margin required shall be the total of~~

~~(A) 100% of the acquisition cost of the long silver put option, plus~~

~~(B) 7.5% of the market value of the long position in the silver certificates, plus~~

~~(C) an excess of the market price of the silver certificates over the exercise price of the long silver put options, multiplied by the unit of trading, up to an additional 7.5% of the market value of the long position in the silver certificates.~~

~~(m) A Member may in its discretion permit a person having an established account to trade TFE futures contracts and TFE securities any day without margining each transaction, provided that such transactions which are not closed out on the same day shall be subject to the applicable minimum margin requirements.~~

~~(n)~~(f) Notwithstanding any other provision of the By-laws or Regulations, the~~ Board of Directors~~Association may prescribe with respect to any particular or kind of person or account greater or lesser margin requirements than those prescribed or referred to in this Regulation 100.8.

13.1.5 CDS Notice of Commission Approval – Technical Amendments to CDS Free Payments Funds Transfer Rule

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED ("CDS")

TECHNICAL AMENDMENTS TO CDS FREE PAYMENTS FUNDS TRANSFER RULE

NOTICE OF COMMISSION APPROVAL

A. Description of the Rule Amendment

The amendments proposed pursuant to this Notice concern a clarification regarding the making of Free Payments through CDSX.

Specifically, these amendments clarify that a Free Payment may be made via Funds Transfer between The Canadian Depository for Securities Limited ("CDS") and a Participant. The current CDS Participant Rule contemplates such payments occurring between two Participants and does not address such payments between a Participant and CDS.

A Free Payment is a payment made without any corresponding delivery of securities. A Funds Transfer is a transfer whereby the funds account of one party is debited and the funds account of another party is credited with a corresponding amount (Participant Rule 1.2.1).

The current CDS Participant Rule also imposes certain restrictions on Funds Transfers (requiring that the payment be made from a credit balance and not use any system-operating cap or line of credit available to the paying party). The proposed amendment clarifies the intention that this restriction applies only to a Funds Transfer between two Participants.

These amendments will facilitate the accommodation processing by financial institutions concerning issuer entitlement payments made by cheques.

The amendments have been attached as Schedule A.

B. Reasons for Technical Classification

The amendments proposed pursuant to this Notice are considered technical amendments. These amendments concern matters of a technical nature in routine operating procedures and administrative practices relating to settlement services. There is no substantive change in regards to the amendments. The proposed amendments clarify that a free payment by funds transfer may also be made between CDS and a participant in addition to the current provision permitting free payments by funds transfer between participants. Additionally, the proposed amendments clarify that restrictions on funds transfers continue to apply to those made between participants but do not apply to funds transfers between CDS and a participant (regardless of whether the transfer was to or from CDS).

C. Effective Date of the Rule

The effective date for these amendments is January 3, 2006.

D. Questions

Questions regarding this notice may be directed to:

Michael Brady
Senior Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Telephone: 416-365-8395
Fax: 416-365-1984
e-mail: attention@cds.ca

TOOMAS MARLEY
Vice-President, Legal and Corporate Secretary

SCHEDULE A
PROPOSED RULE AMENDMENT

Text of CDS Participant Rules marked to reflect proposed amendments	Text CDS Participant Rules reflecting the adoption of proposed amendments
7.2.5 Free Payment (a) Methods of Making Free Payments In the following circumstances, a payment may be made through the Settlement Service without any corresponding delivery of Securities being made: (i) the payment is made as part of an Entitlements Transaction between CDS and a Participant; (ii) the payment is made as part of any Transaction generated by the system, including Transactions for ATON activity; (iii) the payment is made from a Participant to another Participant for a purpose set out in the Procedures and in an amount not exceeding the limit set out in the Procedures (provided that no Participant shall make two or more payments for the purpose of avoiding such limit); or (iv) the payment is made ~~from a Participant to another Participant~~ using a Funds Transfer. (b) Restrictions on Funds Transfers A Funds Transfer <u>between any two Participants</u> is subject to the following restrictions: (i) a Funds Transfer is made only if the debit to the paying Participant's Funds Account does not exceed the credit balance in that Funds Account; and (ii) a Funds Transfer shall not draw any amount under a Line of Credit or a System-Operating Cap established for the paying Participant. Such restrictions do not apply to a Fund Transfer if the following conditions are met: (i) the paying Participant is an Extender or an Active Federated Participant, (ii) the debit is denominated in US Dollars and (iii) the Funds Transfer is made for the purpose of correcting an ACV or System-Operating Cap insufficiency on the part of the recipient. (c) Monitoring of Free Payments CDS monitors payments made without any corresponding delivery of securities, and may request a Participant to confirm that such a payment made or received by the Participant conformed to the requirements of this Rule 7.2.5. If CDS determines, acting reasonably, that such a payment made or received by a Participant did not conform to the requirements of this Rule 7.2.5, CDS may take any steps consistent with these Rules.	**7.2.5 Free Payment** (a) Methods of Making Free Payments In the following circumstances, a payment may be made through the Settlement Service without any corresponding delivery of Securities being made: (i) the payment is made as part of an Entitlements Transaction between CDS and a Participant; (ii) the payment is made as part of any Transaction generated by the system, including Transactions for ATON activity; (iii) the payment is made from a Participant to another Participant for a purpose set out in the Procedures and in an amount not exceeding the limit set out in the Procedures (provided that no Participant shall make two or more payments for the purpose of avoiding such limit); or (iv) the payment is made using a Funds Transfer. (b) Restrictions on Funds Transfers A Funds Transfer between any two Participants is subject to the following restrictions: (i) a Funds Transfer is made only if the debit to the paying Participant's Funds Account does not exceed the credit balance in that Funds Account; and (ii) a Funds Transfer shall not draw any amount under a Line of Credit or a System-Operating Cap established for the paying Participant. Such restrictions do not apply to a Fund Transfer if the following conditions are met: (i) the paying Participant is an Extender or an Active Federated Participant, (ii) the debit is denominated in US Dollars and (iii) the Funds Transfer is made for the purpose of correcting an ACV or System-Operating Cap insufficiency on the part of the recipient. (c) Monitoring of Free Payments CDS monitors payments made without any corresponding delivery of securities, and may request a Participant to confirm that such a payment made or received by the Participant conformed to the requirements of this Rule 7.2.5. If CDS determines, acting reasonably, that such a payment made or received by a Participant did not conform to the requirements of this Rule 7.2.5, CDS may take any steps consistent with these Rules.

13.1.6 MFDA Sets Date for Ernest Ming Chung Lo Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR
ERNEST MING CHUNG LO HEARING
IN TORONTO, ONTARIO

January 11, 2006 (Toronto, Ontario) - The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Ernest Lo by Notice of Hearing dated December 7, 2005.

As specified in the Notice of Hearing, the first appearance in this proceeding took place this morning at 10:00 a.m. (Eastern) before a 3-member Hearing Panel of the MFDA Ontario Regional Council.

The date for the commencement of the hearing in this matter on the merits has been scheduled to take place before a Hearing Panel of the Ontario Regional Council on Friday March 3, 2006 at 10:00 a.m. (Eastern) in the Hearing Room located at the offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario, or as soon thereafter as can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA web site at **www.mfda.ca**.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 177 members and their approximately 75,000 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

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Chapter 25

Other Information

25.1 Exemption

25.1.1 Canadian Oil Sands Trust and Canadian Oil Sands Limited - s. 6.1 of Rule 13-502

Headnote

Subsidiary of issuer exempt from requirement to pay participation fee, subject to conditions.

Statutes Cited

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

Rules Cited

OSC Rule 13-502 Fees

IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990, C.S.5,
AS AMENDED AND
ONTARIO SECURITIES COMMISSION
RULE 13-502 FEES (the Fee Rule)

AND

IN THE MATTER OF
CANADIAN OIL SANDS TRUST AND
CANADIAN OIL SANDS LIMITED

EXEMPTION
(Section 6.1 of the Fee Rule)

WHEREAS the Director has received an application from Canadian Oil Sands Trust (the **Trust**) and Canadian Oil Sands Limited (**COSL**) for a decision pursuant to section 6.1 of the Fee Rule, exempting COSL from the requirement in section 2.2 of the Fee Rule to pay a participation fee;

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

AND WHEREAS the Trust and COSL have represented to the Director that:

1. COSL is incorporated under the laws of the Province of Alberta and maintains its registered and head office in Calgary, Alberta.

2. The Trust is an unincorporated open-ended investment trust formed under the laws of the Province of Alberta and governed by the provisions of an amended and restated trust indenture dated as of June 1, 2005 (the **Trust Indenture**) between Computershare Trust Company of Canada, as trustee, and COSL.

3. COSL acts as manager of the Trust pursuant to the Trust Indenture and a management agreement with Computershare Trust Company of Canada, as trustee of the Trust.

4. The Trust holds, indirectly through COSL, a 35.49% working interest in the Syncrude joint venture, which operates an oil sands project in northern Alberta.

5. COSL is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Five different series of preferred shares have been designated to the date hereof. As at the date hereof, no preferred shares of COSL are issued and outstanding, and all of the issued and outstanding common shares of COSL are held by the Trust.

6. COSL has no other securities outstanding as at the date hereof except: (i) USD $943.95 million of senior notes issued on a private placement basis to purchasers in the United States; and (ii) CAD $545 million of unsecured medium term notes issued pursuant a Canadian MTN program under National Instrument 44-102 *Shelf Distributions*. The outstanding medium term notes are unconditionally guaranteed by the Trust. COSL obtained a receipt for a shelf prospectus for its MTN program on March 27, 2003 and thereby became a reporting issuer in Ontario.

7. The Trust and COSL are both currently reporting issuers in Ontario. To the knowledge of each of COSL and the Trust, neither COSL nor the Trust is in default of any requirements of Ontario securities legislation.

8. No securities of COSL are listed or posted for trading on any exchange or market. The trust units of the Trust are listed on the Toronto Stock Exchange. To the knowledge of each of COSL and the Trust, the Trust is not in default of any requirements of the Toronto Stock Exchange.

9. Prior to completion of an internal reorganization on December 31, 2004, the gross revenues of COSL represented less than 90% of the gross revenues of the Trust as certain revenue producing assets were held outside of COSL by a commercial holdings trust, the entire beneficial interest in which was held by the Trust and over which COSL exercised management control.

Since December 31, 2004, however, the gross revenues of COSL represent more than 90% of the gross revenues of the Trust.

10. The net assets of COSL represent less than 90% of the net assets of the Trust on account of: (i) debt owed by COSL to the Trust; and (ii) a deferred royalty obligation of COSL to the Trust. Although these items do not appear on the consolidated balance sheet of the Trust as a result of consolidation, they are recorded as liabilities on the balance sheet of COSL and are sufficient in magnitude to cause the net assets of COSL to be less than 90% of the net assets of the Trust.

11. Pursuant to MRRS decision documents dated May 20, 2003 and May 21, 2003, respectively, evidencing decisions made by the Director (the **2003 Exemption Orders**), COSL was exempted from, among other requirements, the requirements under Ontario securities legislation to file audited annual financial statements, unaudited interim financial statements, management's discussion and analysis related to its annual and interim financial statements, and annual information forms (together, the **Financial Statement, MD&A and AIF Requirements**), subject to certain conditions.

12. Although the 2003 Exemption Orders pre-date the effective date of National Instrument 51-102 Continuous Disclosure Requirements, they continue to exempt COSL from the Financial Statement, MD&A and AIF Requirements provided for in that instrument by virtue of section 13.2 thereof.

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

IT IS THE DECISION of the Director, pursuant to section 6.1 of the Fee Rule, that COSL is exempt from the requirement in section 2.2 of the Fee Rule to pay a participation fee in each of its financial years, for so long as:

(i) the Trust is a reporting issuer in Ontario,

(ii) the Trust has paid the participation fee applicable to the Trust under the Fee Rule,

(iii) the capitalization of COSL was included in the calculation of the Trust's participation fee, and

COSL continues to be exempt from the Financial Statement, MD&A and AIF Requirements.

DATED at Toronto on this 20th day of December, 2005.

"Iva Vranic"
Manager, Corporate Finance

25.2 Consents

25.2.1 Open Text Corporation - s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c.B.16, as am., s. 181.
Canada Business Corporations Act, R.S.C. 1985, c. C-144, as am.
Securities Act, R.S.O. 1990, c.S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b).

IN THE MATTER OF
ONT. REG. 289/00, AS AMENDED
(THE "REGULATION")
MADE UNDER
THE BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B.16, AS AMENDED (THE "OBCA")

AND

IN THE MATTER OF
OPEN TEXT CORPORATION

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Open Text Corporation (the "Applicant") to the Ontario Securities Commission (the "Commission") requesting consent (the "Request") from the Commission for the Applicant to continue in another jurisdiction, as required by subsection 4(b) of the Regulation;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated under the OBCA on June 26, 1991 and filed articles of amalgamation most recently on July 1, 2005. Its head and principal office is located at 275 Frank Tompa Drive, Waterloo, Ontario.

2. The Applicant intends to apply to the Director under the OBCA for authorization to continue under the

Canada Business Corporations Act ("CBCA"). Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation, its Application for Continuance must be accompanied by a consent from the Ontario Securities Commission.

3. The Applicant is an offering corporation under the OBCA and is and intends to remain a reporting issuer under the *Securities Act* (the "Act").

4. The Applicant is not in default of any of the provisions of the Act or the regulations or rules made thereunder.

5. The Applicant is not a party to any proceeding or, to the best of its knowledge, information and belief, any pending proceeding under the Act.

6. The material rights, duties and obligations of a corporation governed by the CBCA are substantially similar to those of a corporation governed by the OBCA. A summary of differences between the CBCA and the OBCA was provided to shareholders in the Company's management information circular for its December 15, 2005 annual and special meeting (the "Meeting").

7. At the Meeting, a special resolution authorizing the Continuance was approved by 99.9% of the votes cast.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Applicant as a corporation under the CBCA.

DATED December 23, 2005.

"Robert W. Davis"

"Susan Wolburgh Jenah"

25.3 Approvals

25.3.1 Front Street Alternative Asset Fund Inc., Terra Firma Income Fund 2004 Inc., and Terra Firma Equity Fund 2004 Inc. - s. 5.5

Headnote

Approval to change the fund manager of a mutual fund.

Rules Cited

National Instrument 81-102 - Mutual Funds, ss. 5.5.

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

AND

IN THE MATTER OF
NATIONAL INSTRUMENT 81-102 --
MUTUAL FUNDS (NI 81-102)

AND

IN THE MATTER OF
FRONT STREET ALTERNATIVE ASSET FUND INC.
TERRA FIRMA INCOME FUND 2004 INC., AND
TERRA FIRMA EQUITY FUND 2004 INC. (the Funds)

APPROVAL
(Section 5.5)

WHEREAS the Funds have made an application (the Application) to the Ontario Securities Commission (the Director) for an approval pursuant to section 5.5 of NI 81-102 that the manager of the Funds can be changed to Front Street Capital 2004 (Front Street);

AND WHEREAS the Director has considered the Application and the recommendation of staff of the Director;

AND WHEREAS the Funds have represented to the Director as follows:

1. Each of the Funds is a corporation incorporated under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated October 30, 2003. The Funds are registered as labour-sponsored investment funds under the *Community Small Business Investment Funds Act* (Ontario).

2. The Funds are reporting issuers in Ontario. The Funds are currently non-offering in that all their publicly held securities have been redeemed.

3. The authorized capital of the Funds consists of an unlimited number of Class A Shares and Class B Shares. As of the date of the Application, there are no Class A Shares issued and outstanding. All of the issued and outstanding Class B Shares are

owned by the sponsor of the Funds, The National Guild of Canadian Media, Manufacturing, Professional & Services Workers/CMA.

4. Pursuant to an Acquisition Agreement dated September 30, 2005, Front Street Investment Management Inc. acquired (the Transaction) all the outstanding shares of IPM Funds Inc., which was the prior manager of the Funds. As a result of the Transaction, each of the Funds has or is expected to enter into a management agreement, effective September 30, 2005, with Front Street, which will act as the new manager. Front Street is an affiliate of Front Street Investment Management Inc.

5. Front Street is currently the manager of several investment funds including labour sponsored investment funds.

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

NOW THEREFORE pursuant to section 5.5 of NI 81-102, the Director hereby approve the change of manager of the Funds to Front Street.

November 25, 2005

"Rhonda Goldberg"
Assistant Manager
Investment Funds Branch

Index

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