The Ontario Securities Commission

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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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JUNE 09, 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
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
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Carol S. Perry	—	CSP
Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

June 9, 2006 10:00 a.m.	**Olympus United Group Inc.** s.127 M. MacKewn in attendance for Staff Panel: TBA
June 9, 2006 10:00 a.m.	**Norshield Asset Management (Canada) Ltd.** s.127 M. MacKewn in attendance for Staff Panel: TBA
June 9, 2006 10:00 a.m.	**Euston Capital Corporation and George Schwartz** s. 127 Y. Chisholm in attendance for Staff Panel: WSW/ST
June 13, 2006 10:00 a.m.	**First Global Ventures, S.A. and Allen Grossman** s. 127 D. Ferris in attendance for Staff Panel: PMM/ST
June 16, 2006 10:00 a.m.	**Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg** **Motion Hearing** s. 127 M. MacKewn & T. Hodgson for Staff Panel: SWJ/WSW/CSP

June 20, 2006 9:30 a.m. .	**Bennett Environmental Inc., John Bennett, Richard Stern, Robert Griffiths and Alan Bulckaert** J. Cotte in attendance for Staff Panel: PMM/DLK
June 26, 2006 10:00 a.m. June 27, 2006 2:30 p.m. Jun 28 & 30, 2006 July 4 – 7, 2006 10:00 a.m.	**Universal Settlement International Inc.** s. 127 & 127.1 Y. Chisholm in attendance for Staff Panel: TBA
June 28, 2006 9:00 a.m.	**Maitland Capital Ltd *et al*** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST
July 5, 2006 10:00 a.m.	**Sears Canada Inc., Sears Holdings Corporation, and SHLD Acquisition Corp.** Subsection 104(1) and section 127 J. Waechter in attendance for Staff Panel: SWJ/RWD/CSP
July 25, 2006 2:30 p.m.	**Jose Castaneda** s. 127 and 127.1 T. Hodgson in attendance for Staff Panel: WSW
July 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
September 13, 2006 10:00 a.m.	**Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST
September 21, 2006 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fun and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s.127 and 127.1 D. Ferris in attendance for Staff Panel: SWJ/ST
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: TBA

TBA **Philip Services Corp., Allen Fracassi**, Philip Fracassi**, Marvin Boughton**, Graham Hoey**, Colin Soule*, Robert Waxman and John Woodcroft****

s. 127

K. Manarin & J. Cotte in attendance for Staff

Panel: TBA

* Settled November 25, 2005
** Settled March 3, 2006

TBA **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

TBA **Momentas Corporation, Howard Rash and Alexander Funt**

S. 127

P. Foy in attendance for Staff

Panel: WSW/RWD/DLK

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

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

Andrew Stuart Netherwood Rankin

1.1.2 Ontario Commodity Futures Act Advisory Committee Interim Report

ONTARIO COMMODITY FUTURES ACT ADVISORY COMMITTEE
INTERIM REPORT

The Ontario Commodity Futures Act Advisory Committee (Committee) has issued its interim report. The interim report follows this notice and can also be found on the OSC website. A French version will be posted shortly. The Committee requests comments on the interim report. Comments are to be submitted by July 14, 2006 by delivery to the Chair: Carol Pennycook, Davies Ward Phillips & Vineberg LLP, Suite 4400, 1 First Canadian Place, Toronto, ON M5X 1B1 or cpennycook@dwpv.com.

Ontario Commodity Futures Act Advisory Committee Interim Report

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Ontario Commodity Futures Act Advisory Committee Interim Report

ONTARIO
COMMODITY FUTURES ACT
ADVISORY COMMITTEE
INTERIM REPORT

To Minister Gerry Phillips,

Minister of Government Services and Minister responsible for securities regulation

May 25, 2006

PART 1 – THE COMMITTEE AND ITS PROCESS

The Advisory Committee and Its Mandate

This is the interim report of the advisory committee (the **Committee**) appointed by Minister Gerry Phillips on May 26, 2005 to review Ontario's *Commodity Futures Act* (**CFA**), as required by the statute. In advising the Committee on its mandate, Minister Phillips stated that the purpose of the review of the CFA is to ensure that Ontario benefits from a modern regulatory regime with strong investor confidence and protection. The news release and background regarding the appointment of the Committee and its mandate is attached to this report as Appendix I. The members of the Committee are:

Carol Pennycook (Partner, Davies Ward Phillips & Vineberg LLP, Chair of the Committee)

John Clark (Chair & CEO, JCClark Ltd.)

Stephen Elgee (President, Faversham Holdings Inc.)

Margaret Grottenthaler (Partner, Stikeman Elliott LLP)

Paul Moore (Vice Chair, Ontario Securities Commission)

Roger Warner (Director of Operations, Canadian Derivatives Clearing Corporation)

Short biographies of the Committee members are appended to this interim report.

Since the introduction of the CFA, markets have evolved dramatically as a result of the introduction of new products, including a myriad of derivative products, innovations in technology and a marked trend towards globalization of trading. The Committee was advised that the CFA has not been reviewed comprehensively since its inception and, as a result, the CFA may not have kept pace with market innovation and evolution, and regulatory changes in other jurisdictions, including the United States which overhauled its commodity futures regime with the introduction of the *Commodity Futures Modernization Act, 2000*. The Committee was requested to prepare a report which addressed whether the CFA, in its current form, provides an appropriate regulatory framework and, if not, to make recommendations as to a regulatory framework which would help maintain and foster strong Ontario participation in Canadian and international derivatives markets.

This report is an interim report of the Committee intended primarily for the purpose of soliciting further comment to the Committee with respect to commodity futures legislation and regulation of derivatives trading in Ontario. Comments are requested to be submitted to the Committee by July 14, 2006 by delivery to the Chair: Carol Pennycook, Davies Ward Phillips & Vineberg LLP, Suite 4400, 1 First Canadian Place, Toronto, ON M5X 1B1 or cpennycook@dwpv.com. The Committee expects to make submissions available to the public. Following review of the comments and completion of additional consultations, the Committee will prepare its final report which it hopes to deliver to Minister Gerry Phillips by September 30, 2006. The

Committee understands that the Minister will table the report in the Legislature and a select or standing committee of the Legislative Assembly will be appointed to review the report, hear the opinions of interested persons or companies and make recommendations to the Legislative Assembly regarding amendments to the CFA and other legislation with respect to derivatives.

This report is solely a report of the Committee and the views expressed are those of members of the Committee and not of the Ontario Securities Commission (**OSC)** or the Province of Ontario. The views the Committee expresses in this report are preliminary views.

The Review Process

The Committee's report will be the first statutory review of the CFA since it was enacted in 1978.

In preparing this interim report, the Committee reviewed summary comparisons of derivatives regulatory regimes in other Canadian jurisdictions, the United States and Europe. The Committee has conducted its review of the CFA to date primarily through review of regulatory frameworks for trading in commodity futures contracts and options on commodity futures contracts and other derivatives in various other jurisdictions, including other provinces of Canada, the United States and Europe, a review of the history of the CFA and consultation with various interest groups.

In Quebec a committee comprised of staff representatives of the Autorité des Marchés Financiers (**AMF**), with input from Quebec's derivatives industry has undertaken substantial research and discussions over the past two years and, based on the work of that committee, the AMF has developed a report which summarizes its study of international best practices in derivatives regulation and provides a recommended road map for the development of derivatives oversight. It is expected that the AMF report will be finalized and released on or about May 25, 2006. The Committee had the benefit of reviewing the very comprehensive draft report prepared by the AMF and it was of great assistance in the preparation of this interim report.

The Consultation Process

The Committee determined that it wished to implement a consultation process to solicit input on appropriate regulation of commodity futures contracts and options on them as well as other derivatives from a number of sources, and to draw upon the experience of jurisdictions outside of Canada.

The Committee has reviewed background materials provided by staff of the OSC and OSC staff research undertaken at the Committee's request on a number of questions. The Committee would like to acknowledge and thank OSC staff for their assistance**.** The Committee has also received the input of representatives of the following organizations:

- The International Swaps and Derivatives Association (**ISDA**) in Europe regarding the EU's recently adopted financial instruments directive and passport system
- Canadian Derivatives Clearing Corporation (**CDCC**)
- Natural Gas Exchange (**NGX**)
- Representatives of ISDA in the United States
- Staff of the Commodity Futures Trading Commission (**CFTC**) in the United States
- Members of the Derivatives Committee of the Investment Dealers Association of Canada (**IDA**)
- Bourse de Montréal Inc. (**MX**)
- Winnipeg Commodity Exchange Inc.
- Autorité des Marchés Financiers (**AMF**) in Quebec
- Staff and the Chair of the Alberta Securities Commission
- Staff and Chair of the British Columbia Securities Commission

The Committee also hopes to meet with some parties who are registered as Commodity Trading Advisors/Commodity Trading Manager, Commodity Trading Counsel, Futures Commission Merchants and other dealers, other relevant industry associations

and some Canadian and United States investment firms active in the commodity futures and derivatives market, including the cross-border Canada-United States market.

PART 2 – BACKGROUND

Evolution of the Market

The CFA provides a regulatory regime for exchange-traded commodity futures contracts and options on commodity futures contracts with respect to exchanges carrying on business in Ontario. This report will refer to these types of exchange contracts and options as **CF contracts**. The purposes of the CFA are to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient commodity futures markets and confidence in those markets.

When it came into force in 1978, the CFA implemented the recommendations contained in the "Report of the Interministerial Committee on Commodity Futures Trading" issued by the Ministry of Consumer and Commercial Relations in February, 1975 (the **Bray Report**). The Bray Report was prompted by concerns that trading in commodity futures contracts should be regulated; it was at that time largely unregulated. Regulation in the United States had recently been substantially revised. It was also recognized that existing securities legislation was not the appropriate means of regulation of commodity futures contracts. Commodity futures markets at the time largely had as a goal facilitating the trading of actual physical commodities; they were not capital or investment markets. A prospectus regime focusing on disclosure regarding the "issuer" was not the type of regulation that would provide a participant, including a person speculating on the commodity market, with relevant information. As a result the Bray Report recommended that commodities be regulated separately from securities where they traded on a recognized exchange. The recommendations were accepted and the CFA was enacted in 1978 and proclaimed into force on September 1, 1979.

As recommended in the Bray Report, the CFA focuses regulation on three main areas: the types of contracts; the marketplaces upon which those contracts trade; and the participants in those marketplaces. The CFA:

- restricts its reach to commodity futures contracts and commodity futures options (i.e. CF contracts),
- requires that exchanges with respect to CF contracts operating in Ontario be registered with or recognized by the OSC and comply with rules set out in the CFA,
- allows (but does not require) clearing organizations that clear contracts on recognized exchanges to be recognized by the OSC, and
- imposes dealer and adviser registration requirements with respect to trading in or advising on contracts on the recognized exchanges.

Since 1978 there has been significant evolution in each of these three areas; however, there have been very few changes to the CFA over that same period. Put very simply, the types of transactions, the nature of the market and trading practices have evolved far beyond what they were in 1978 and the current CFA no longer adequately addresses today's market.

Types of Contracts

At the time that the CFA was enacted, CF contracts related primarily to physical commodities, particularly agricultural commodities and, to a lesser extent, precious metals. The CFA regulates commodity futures contracts and options on commodity futures contracts. The definitions of "commodity"[1], "commodity futures contract"[2] and "commodity futures option"[3] serve as the basis of the existing regulatory framework of the CFA. The definition of "commodity futures contract" requires it to be traded on a commodity futures exchange, to require "delivery" of a specified quantity and quality, grade or size of a commodity, to provide for delivery during a "designated future month" and for that delivery to be at a "price agreed upon" when the contract is entered into.

1 Section 1: "commodity" means, whether in the original or a processed state, any agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel, currency or precious stone or other gem, and any goods, article, service, right or interest, or class thereof, designated as a commodity under the regulations;

2 Section 1: "commodity futures contract" means a contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

3 Section 1: "commodity futures option" means a right, acquired for a consideration, to assume a long or short position in relation to a commodity futures contract at a specified price and within a specified period of time and any other option of which the subject is a commodity futures contract;

The definitions do not easily encompass the wide array of derivative products which have come into existence. Today, many contracts worldwide relate to financial and other non-agricultural underlying interests, such as interest rates, foreign exchange, stocks, electricity and weather. Many contracts are also now settled in cash or the book based delivery of an underlying commodity, instead of physical delivery of a commodity, and may be a contract for delivery during future days or weeks rather than months. Again, the key definitions in the CFA do not easily encompass these cash-settled contracts.

To address the growth in new underlying interests, regulations under the CFA may designate additional underlying interests as "commodities". Regulations have been enacted with respect to some newer products mentioned above. While regulations to the CFA expanded the list of eligible commodities, including cash settled products, the regulations do not fully address the expanded reality of derivatives trading in today's marketplace. The necessity to designate emerging underlying interests as "commodities" under the CFA has meant that the CFA has not kept up with market developments. The designation of additional commodities, in other words, has not kept pace with the rapid development of products and is also impeded by the definition of "commodity" and "commodity futures contract" in the CFA.

The definition of "commodity futures contract" also affects the Ontario *Securities Act* (**OSA**). A CF contract that trades on an exchange that is not an exchange recognized by the OSC under the CFA is a "security" under the OSA, as that definition includes "any commodity futures contract or any commodity futures option that is not traded on a commodity futures exchange registered with or recognized by the Commission under the Ontario Commodity Futures Act or the form of which is not accepted by the Director under that Act". There are no definitions of the terms "commodity futures contract" or "commodity futures option" in the OSA, but the Committee believes that the prevailing view is that the general definitions in the CFA are the relevant definitions for purposes of the OSA.

Since the introduction of the CFA, the market has also seen the development of investment products that share characteristics of both securities and derivatives. These products, such as index-linked notes, hedge funds and options on securities, are regulated as securities under the OSA. This report will refer to these types of hybrid products as **derivative-like securities**. The restriction of the CFA to CF contracts trading on a recognized exchange to date has limited the overlap between the CFA and the OSA.

There has also been explosive growth in the market for negotiated over-the-counter **(OTC**) derivatives transactions since the enactment of the CFA. The retail market for OTC derivatives in Ontario is fairly limited at this time. However, certain traders and institutions are starting to market, or are interested in marketing, certain types of OTC derivative products, such as foreign exchange contracts, in Canada on a retail basis. Contracts for differences with respect to commodities such as electricity are also offered on a retail basis through OTC contracts. One can easily contemplate a wider offering of commodity hedging products to the retail public in the future (e.g. a hedge on the price of gasoline). These products are not CF contracts and are not, or might not be, "securities" as defined in the OSA.

Under the OSA, the OSC has rule making power with respect to "derivatives"[4], and has exercised that power to define "derivative" in Rule 14-501[5]. However, the OSC has not yet exercised its jurisdiction under the OSA in any comprehensive way with respect to OTC contracts. Nor has there yet been any study in Ontario as to whether the retail OTC derivatives market should be regulated by a securities regulator or how it should be regulated under securities laws, so as to provide guidance to the OSC with respect to the exercise of its rule making power. Where this report refers to **OTC contracts** it means OTC derivatives transactions that are not entered into on an exchange.

Marketplace

With the development of standard documentation such as the ISDA documentation, the OTC contracts market (which was not a material factor in 1978) significantly lowered transaction costs making OTC contracts an effective alternative to transactions on an exchange. The strength of the OTC contract market as well as the development of new exchanges and marketplaces worldwide make it important to reconsider the regulatory regime that applies to CF contract exchanges and other marketplaces in Ontario in order to ensure that they are competitive without compromising their safety and soundness.

Marketplaces for CF contracts have also evolved since 1978. The CFA concepts of providing for "recognition" of exchanges situate outside Ontario,[6] and "registration" of exchanges situate in Ontario[7] were introduced at a time when commodity futures exchanges operated by providing physical facilities for open-outcry auctions. It was, therefore, relatively obvious whether an exchange was situate in Ontario or not. With the advent of electronic trading, commodity futures exchanges have moved from being floor based to offering access through electronic trading systems.

4 OSA, section 143(1), para 35.
5 Rule 14-501, 1.1(3). See also the definition of "specified derivatives" in NI 81-102.
6 CFA, section 34.
7 CFA, section 15.

Further, as market intermediaries develop electronic systems offering relatively standardized terms for entering into derivatives transactions to a wide class of parties it becomes more difficult to draw a clear line between what is, and should be, a regulated marketplace and what is a trading system that is simply a more efficient means of entering into a negotiated OTC contract. Those trading systems or marketplaces that bring together multiple buyers and sellers for trading on a non-discretionary basis, as opposed to bi-lateral trading arrangements, particularly need to be considered.

Clearing of transactions has also evolved. Separate clearing organizations have developed and are beginning to clear OTC contracts. Recognition of clearing organizations, even those that clear exchange traded contracts, is not mandatory under the CFA[8], notwithstanding their significant role in the market.

Participants

Market intermediaries and other participants have evolved as the commodity futures industry has changed. Dealers and other participants have changed from being floor traders to conducting all trading electronically and have expanded into new business areas. The dealer and adviser registration requirements of the CFA apply only to CF contracts.

Over the last 30 years many statutory and administrative changes have been made under the OSA with respect to securities trading, including with respect to registration of market intermediaries. Corresponding changes have not been made to the CFA with the result that the laws and regulations, which were once consistent and compatible, now differ significantly without, in many respects, any supportable policy reason for the difference.

With this background and after considering many of the issues raised and discussed below, the Committee decided to analyze the issues and present its report in three sections. The first section (Part 3 below) considers what changes are needed to modernize the CFA and its regulation of CF contracts. The second section (Part 4 below) considers what the legislative regime should be for OTC contracts. The third section (Part 5 below) deals with registration issues, which would be relevant to either intermediation of CF contract trading or retail OTC contract trading.

This report does not deal at length with derivative-like securities. For the most part these types of products are already dealt with in the OSA. The Committee is interested in views as to whether consideration should be given to dealing comprehensively with all derivatives in one piece of legislation, whether a new “Derivatives Act” or as a separate self-contained part of the OSA.

PART 3 – MODERNIZING THE CFA

The Broad Themes

A New Law

The CFA has become so outdated that reforming it through amendments to the regulatory scheme of the CFA and its existing provisions is not practical. This view was echoed by those groups the Committee consulted who have had experience with the CFA.

The Committee’s view is that the CFA should be repealed and replaced with a new legislative structure.

The Committee does not expect this recommendation to be controversial. The more difficult issues are whether the new legislation should be separate legislation or a scheme of regulation integrated into the OSA, and what the broad content of that legislation should be. These issues are addressed below.

Compatible Legislation

Given the nature of the market, regulation in Ontario must be compatible (although not necessarily harmonized) with other Canadian regulatory regimes as well as the regulatory regime in the United States, and, to the extent feasible, other global markets in which Ontario participants take part. In addition, unnecessary duplication and regulatory redundancies should be avoided.

The Committee notes that other provinces in Canada are also interested in updating regulation of commodity futures and derivatives regulation. The Committee hopes to work closely with the AMF in preparing the Committee's final report and recommendations. The importance of Ontario's regulatory framework being compatible with other markets, including not only other provinces of Canada but also the United States, Europe and other jurisdictions to recognize the global nature of this marketplace, has been a consistent comment to the Committee. In using the term “compatible”, the Committee means that the

[8] CFA, section 17.

regulatory scheme should not be in conflict with that of other relevant jurisdictions so that the participants in the Ontario marketplace may participate in the broader Canadian and global marketplaces in compliance with both the Ontario regulatory regime and the regulatory regime that applies in the other relevant marketplace.

Complete compatibility within Canada is impeded by the fact that different provinces currently take very different approaches to the regulation of these markets. In some provinces, futures contracts together with other derivatives are addressed in the relevant securities act; in others, including Ontario and Manitoba, separate legislation addresses exchange-traded CF contracts. Alberta and British Columbia have adopted blanket orders to provide broad exemptions for non-retail OTC contracts. These blanket orders are needed because of the extremely broad definition of a "future" in the securities acts in those jurisdictions that would include financial and commercial OTC contracts. These blanket orders, while similar, are not identical.

Consequently, in terms of compatibility in Canada, the Committee has been most interested in compatibility not with existing regimes, but with the proposals for reform in the leading jurisdictions. Ontario itself will be one of the leaders in this regard. Further, the flexibility of a core principles approach to regulation (discussed below) will allow for the development of compatible regulatory regimes without necessarily requiring the enactment of substantially similar legislation. Although the Committee believes that a regulatory regime for derivatives which is identical throughout Canada is desirable for Canadians participating in a global marketplace, it recognizes that implementing a single regulatory regime throughout Canada would be difficult to achieve in a timely manner.

A Core Principles Based Regulation

The Committee is conscious of the desirability of flexibility in regulation to promote the competitiveness of the Ontario markets while maintaining regulatory oversight that ensures the integrity of those markets and protection for investors. Consequently, the preliminary view of the Committee regarding an appropriate regulatory framework is that it should be based on core principles, rather than prescriptive and specific rules.

OSC staff, in its submissions to the Committee, noted the importance of a regulatory regime that provides flexibility to effectively respond to future developments and the need to harmonize any new derivatives regulation with changes made in the OSA and national instruments and rules that are applicable, and with other jurisdictions in Canada and with international practices.

The core principles approach has been adopted or recommended for other jurisdictions and it appears that it will ultimately be the approach that is favoured for North American securities markets. The Committee understands that the AMF will recommend a core principles approach for Quebec. The United States *Commodity Futures Modernization Act of 2000* (**CFMA**) as it amends the *Commodity Exchange Act* (**CEA**) adopts a core principles approach for United States markets. The Canadian Securities Administrators (**CSA**) favoured a core principles approach to the regulation of securities markets as outlined in the *Blueprint for Uniform Securities Laws for Canada, 2003*.

The core principles approach would, or could, apply to the regulation of exchanges (and potentially other trading systems), clearing organizations, other self-regulatory organizations and participants. This approach reflects international trends and provides flexibility for regulation to adapt rapidly to complex and constant evolution of derivatives markets including continual introduction of new products and rapidly evolving markets.

The Committee's view is that the new legislation adopt a core principles approach to the regulation of exchanges (and potentially other trading systems), clearing organizations, other self-regulatory organizations and participants.

How that core principles approach should be reflected in the new legislation is likely to be a more controversial issue. OSC staff submitted to the Committee that the core principles be established by rule, policy or similar instrument and not be set out in the legislation. The Committee understands that the AMF will propose that the core principles be set out in the legislation. The CFMA also sets out the core principles.

The OSC's recommended approach would provide the maximum level of flexibility to adapt to changing conditions. On the other hand, this approach gives the OSC an extensive and essentially legislative jurisdiction, albeit subject to governmental oversight and approval.

The Committee believes that the core principles could be set out in the legislation without compromising flexibility. They could be sufficiently general to accommodate change in the markets under regulatory oversight without giving the regulator an unnecessary degree of autonomous jurisdiction. Core principles define the policy of the legislation. The legislature should define that policy.

The Committee's view is that the core principles should be set out in the new legislation. Ontario should work with Quebec and other Canadian jurisdictions to endeavour to define a set of common core principles. In doing so it should consider core principles which have been adopted in other jurisdictions, such as the United States.

The Contracts: An Appropriate Definition

The definitions of "commodity" and "commodity futures contract" must be modernized. The need for flexibility recommends against specific definitions in the legislation of either the underlying interests or the types of contracts. As explained at the outset of this report, overly specific definitions have been problematic under the current CFA. Nevertheless, any legislation must define the scope of what is regulated or potentially regulated by the statute.

Many of the contracts that trade on futures exchanges do not involve commodities in the strict or even generously interpreted sense of the word. The underlying interests include rates, indices, equities, currencies or even events, such as weather, or legal concepts, such as emissions limits. The contracts are not only those that provide for physical or book-based delivery of the underlying interest, but also cash-settled contracts for differences. While they involve future performance or settlement, they are not necessarily *futures* contracts or even *forward* agreements as the market traditionally would have understood those terms.

The legislation must define what is a "commodity" and that definition, for purposes of this legislation only[9], need not be restricted to commodities in the narrow sense of the term.

The OSC staff have recommended a definition for a CF contract that would not limit the possible types of the specific underlying interest or possible features (such as contract expiration, physical versus cash settlement, etc.). Because the legislation would be restricted to exchange traded contracts and products, it is not necessary to circumscribe the definition as closely as it is for the regulation of OTC contracts (see the discussion below). Exchanges should have latitude in setting the standardized features of their contracts. It is, however, still necessary to provide statutory parameters.

The legislation must define the types of contracts covered with reference to more generic qualities. An essential feature of CF contracts is that they are entered into on an exchange under basic contract terms set by the exchange.

The Committee is continuing to consider the elements of an appropriate definition of "commodity" and "commodity contract".

Regulation of Markets

Recognition and Exemption of Exchanges

The CFA currently provides for both the "recognition" and "registration" of exchanges. It requires an exchange carrying on business in Ontario to be registered.[10] It enables an exchange located outside of Ontario to voluntarily apply to the OSC to be recognized.[11] The OSC staff considers an exchange to be carrying on business in Ontario if it offers direct remote access to a trader in Ontario. No exchange has voluntarily sought recognition under the CFA. As a result, CF contracts trading on foreign exchanges are treated as securities under the OSA. The OSA incorporated only the concept of the recognition of securities exchanges (not registration and recognition as under the CFA). The OSA requires a securities exchange that intends to carry on business in Ontario either to be recognized or to obtain an exemption from recognition. Generally, the OSC has granted exemptions from the OSA for foreign CF contracts where the exchange is based outside Ontario and is subject to appropriate regulation by another regulator.

The CFA's split between recognition and registration reflected a time when providing direct access meant having physical facilities in Ontario. The distinction between recognition and registration enshrined in the CFA is no longer important or necessary.

The Committee recommends that the two concepts of recognition and exemption that have in practice been applied to futures exchanges under the CFA, and that apply in other jurisdictions and under the OSA, should also be applied to the regulation of exchanges under the new regime.

Only recognized or exempted exchanges should be permitted to carry on business in Ontario.

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9 Federal insolvency statutes, in the definition of "eligible financial contract", refer to "commodity contracts". In *Blue Range* (2000), 20 C.B.R. (4th) 187 (Alta. C.A.) the Alberta Court of Appeal defined the term "commodity" for purposes of this legislation.

10 section 15.

11 section 34.

The legislation should provide guidance on what it means to carry on business in Ontario.

Lead Regulator

A lead regulator model has been developed for securities exchanges in Canada. This model is not legislated under the OSA, but has developed through practice and memoranda of understanding among certain securities commissions. Under the lead regulator model, one jurisdiction has regulatory oversight and other jurisdictions that approve the lead regulator rely on its regulatory oversight, subject always to an overriding jurisdiction to protect the integrity of the local marketplace in circumstances where the lead jurisdiction's regulatory scheme does not do so satisfactorily.

Both the OSC staff and the exchanges the Committee consulted favour a lead regulator model for the recognition and exemption of exchanges. The Committee's view is that a lead regulator model is in the interests of efficiency and compatibility with other regimes in Canada and elsewhere. The lead regulator model is also consistent with the concept of a single Canadian securities regulatory regime, which is supported by Ontario.

The Committee's view is that the OSC should have the jurisdiction to enter into the types of agreements and arrangements that will allow it to implement a lead regulator model.

The Committee is continuing to study whether a lead regulator model should also apply to exchanges regulated by non-Canadian regulators and, if so, on what basis.

The Committee is continuing to study whether it would be desirable or practical to impose a reciprocity requirement with respect to the recognition of exchanges based in other jurisdictions.

Tiered Regulation

In the United States, the CFMA created a new multi-tiered approach to exchanges, with the degree of CFTC oversight and the legal requirements as set out in the statute dependant on the type of exchange. There are two types of regulated market and one exempt market provided for in the CFMA. With this type of regime the focus is not so much on definitions of what constitutes an exchange versus another type of execution facility, but on the degree of regulation appropriate given the participants in the market and the types of contract being traded.

The *designated contract market*[12] (**DCM**) is the only exchange market that may offer any type of product to any type of participant. It is subject to the highest degree of regulatory oversight. It must meet specified criteria, such as having the ability to prevent market manipulation, having rules and procedures to ensure fair and equitable trading, and having the ability to satisfy a comprehensive set of "core principles" on a continuing basis.

A *derivatives transaction execution facility* (**DTF**) is subject to fewer regulatory requirements than a designated contract market, but is subject to both product and participant limitations. It must have the ability to satisfy a less comprehensive set of core principles.

An *exempt multilateral transaction facility* (**Exempt MTEF**) is essentially an unregulated market, subject only to residual CFTC anti-fraud and anti-manipulation authority. Access is limited to "Eligible Contract Participants" and there are also product limits.

Neither the CFA nor the OSA contemplate a tiered regulatory approach to exchanges. All exchanges are subject to the same general statutory requirements for recognition/registration or exemption, but the type of exchange it is will influence whether recognition or an exemption is granted and the nature of the terms and conditions imposed as a condition to either recognition or exemption.

The OSC staff is not in favour of a tiered approach as part of the legislation. They prefer the flexible approach that exists under the current regimes.

Some members of the Committee believe that a tiered legislative approach might provide more legal certainty for market participants as it could set out the policy of the legislation more precisely.

The Committee continues to study whether a tiered approach to the regulation of exchanges would be feasible or even appropriate for the Ontario market and what the substance of that approach might be.

[12] Under the previous *Commodities Exchange Act* this was the only type of futures exchange.

Alternative Trading Systems

Separate from the question of the tiered approach is the question of the appropriate regulation of alternative trading systems (**ATS**). Currently, the CFA regulatory ambit is limited to "exchange" trading only. In contrast, the OSA has the concept of marketplaces, contained in National Instrument 21-101, which is defined as follows:

Marketplace means:

(a) an exchange;

(b) a quotation and trade reporting system, and

(c) any other person or company that

(i) constitutes, maintains or provides a market for bringing together purchasers and sellers of securities,

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established and non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade;

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace.

This is broader than the exchange concept and has allowed for the introduction and regulation of ATSs.

The OSC staff submitted that the CF contracts legislation should include a concept of marketplaces. It recommends a similar definition to that in National Instrument 21-101, with the term "securities" being replaced by "derivative contracts". The goal would be to capture marketplaces that "use established non-discretionary methods under which orders interact with each other".

The Committee is continuing to study the appropriate regulation of ATSs with respect to derivatives.

Core Principles applied to Exchanges

The current approach applied by the OSC for the recognition and exemption from recognition of exchanges under the OSA requires the exchange to meet a set of criteria and conditions for initial recognition or exemption and to meet various terms and conditions on an on-going basis. These terms and conditions are not provided for in the OSA. The terms and conditions are largely principle-based and are consistent with the core principles adopted for exchange regulation in the United States under the CFMA.

The OSC staff supports a core principles based approach to the regulation of CF contract exchanges and has adopted such an approach with respect to securities exchanges.[13]

The Committee understands that the AMF will also recommend a core principles approach.

The core principles would be broadly consistent with the International Organization of Securities Commissions' (**IOSCO**) Principles of Securities Regulation.[14]

The Committee's view is that a core principles approach for the recognition and regulation of exchanges should be adopted. This approach provides a flexible regime but one that protects the safety and soundness of the markets.

Exchange Rules – Self-Certification

The CFA currently requires every registered commodity futures exchange to file every by-law, rule and regulation (**rules**) with the OSC. The CFA also permits the OSC to make any decision with respect to a registered commodity futures exchange's rules. The OSC sets out the details of its rule review process, including prior approval of all new and amended rules, in the authorization order for each exchange. The OSC has implemented a practice, through recognition orders and rule

[13] See OSC Staff Notice 21-702 "Regulatory Approach to Foreign Based Stock Exchanges"

[14] IOSCO "Objectives and Principles of Securities Regulation", May 2003; IOSCO "Methodology for Assessing the Implementation of the IOSCO Objectives and Principles of Securities Regulation", October 2003.

protocols with some entities, to allow certain housekeeping amendments to rules to be deemed to be approved upon the filing of the amendment with the OSC.

The CFTC currently utilizes a self-certification process for rule approvals. Those maintaining a designated contract market status or designated transaction facility status notify the CFTC of rule changes and certify to the CFTC that the change meets the applicable core principles. The rule changes take effect immediately rather than following CFTC review and approval.

Several Canadian exchanges advised the Committee that the process for prior approval of rules, including amendments to contract terms, is a significant impediment to their business. Prior approval of rule changes, many of which are uncontroversial and not material, and many of which are of benefit to market participants, can be time consuming and impair the competitiveness of the exchange in rapidly changing markets.

The Committee understands that the AMF will recommend a self-certification model for exchanges.

Exchanges have an interest in ensuring that the rules they adopt to regulate their operations are effective, sound and acceptable to their participants. The need to certify that their rules comply with core principles provides assurance that the rules are appropriate.

The Committee's view is that a self-certification model for recognized exchanges for which the OSC is the lead regulator should be adopted, with a requirement that the OSC be notified of the rule changes and that the exchange meet certain filing requirements that would be established by the OSC under a rule-making power. Under these conditions, rules could come into effect prior to or in the absence of review by the OSC.

Under such a system, the OSC's jurisdiction, set out in principle in the legislation and in more detail in implementing regulations, would be to review the changes. Rule changes which have been implemented which do not satisfy the core principles should result in punitive action against the relevant exchange.

The Committee is continuing to study whether there should be mandatory publication of proposed rules and a mandated notice period before implementation of certain types of rule changes (e.g., not technical or housekeeping amendments), and whether any such requirements should be in the Act, the regulations or set by administrative policy.

The Committee is considering appropriate consequences for implementation by an exchange of a rule change that the exchange has certified is in compliance with the core principles but which, upon review, is found not to satisfy the core principles.

Recognition and Exemption of Clearing

A clearing organization acts as a central counterparty (**CCP**) for contracts traded on securities, futures and derivatives markets by becoming the buyer to every seller and the seller to every buyer. Separate CCPs have been used by derivatives exchanges for many years and are increasingly used by securities exchanges. They have begun to provide their services in the OTC contracts markets, as well as markets for securities financing transactions.[15] The Canadian clearing organizations that the Committee consulted with indicated that they expect growth in this aspect of their business.

CCPs have the potential to significantly reduce risk to market participants by imposing controls on participants and by achieving multilateral netting of trades.[16] They can enhance market liquidity by reducing risk and facilitating anonymous trading. However, they also concentrate risk and responsibility for risk management. A risk management failure by a CCP has the potential to disrupt the markets it serves and other aspects of the settlement and payment systems. Given the important role that CCPs play in the market, regulatory oversight is essential.

The current CFA allows the OSC, upon application, to recognize a "clearing house" for a registered commodity futures exchange. Recognition is not mandatory however, and is not provided for with respect to the clearing of off-exchange transactions. The Ontario government has amended the OSA requirements for clearing agencies, although the amendments have not yet been proclaimed into force[17]. These changes will require clearing agencies for securities to be recognized in order

[15] Securities financing transactions include securities lending, securities repurchase and reverse repurchase, and securities buy/sell back transactions. These are generally transactions where securities are transferred between financial institutions and other institutional investors subject to an obligation to retransfer equivalent securities (usually within one or a few days). The obligations to retransfer securities are fully collateralized, typically with cash collateral. The parties negotiate industry standard master agreements to govern their ongoing relationship.

[16] Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions (IOSCO), *Recommendations for Central Counterparties*, November 2004, page 1.

[17] S.O. 2005, c. 31.

to carry on business in Ontario. There is mandatory regulation of clearing organizations for securities in the United Kingdom, the United States, Australia and Quebec.

In the United States, under the CEA, as modified by the CFMA, designated clearing organizations (**DCOs**) are regulated separately from the market for which they provide the clearing services. Recognition can be extended by either the SEC or the CFTC depending on the products. In certain instances, recognition by the CFTC is not required, but may be granted to an applicant by the SEC or another federal agency (for example, regarding exempted commodities or excluded commodities). Recognition is based on compliance with core principles applicable to clearing organizations.[18]

The AMF also recommends a separate recognition process for clearing organizations and regulation based on a core principles model.

For the same reasons set out above with respect to exchanges, a lead regulator model is appropriate for the recognition, exemption and on-going regulation of clearing organizations.

The Committee's view is that an organization carrying on business in Ontario as a centralized facility for the clearing of trades in CF contracts should be required to obtain recognition, or seek an exemption from recognition, under the new legislation, regardless of whether the trade took place on a regulated market. Moreover, a CF contracts exchange that is seeking to be recognized by the OSC should be required to have its contracts cleared through a clearing organization recognized by the OSC.

Regulatory criteria should be tailored to organizations performing a clearing function; in other words, regulation of clearing organizations should be a separate matter from regulation of entities providing execution services. Entities providing both services would comply with both compatible sets of regulatory criteria. Separate regulatory treatment is appropriate because of the importance and the concentration of risks in a single CCP serving a market.

The Committee's view is that no distinction be drawn between an organization that clears exchange traded contracts and an organization that clears off-exchange transactions, even those trading in an exempt market. The same type of market risk arises in the concentrated clearing of transactions regardless of whether the underlying trade is regulated.

A lead regulator model is appropriate.

Core Principles for Clearing Organizations

For largely the same reasons set out above in relation to exchanges, a core principles approach to the regulation of clearing organizations is recommended. IOSCO and the Committee on Payment and Settlement Systems published "Recommendations for Central Counterparties" in November 2004 setting out a core principles approach to clearing organizations.

A core principles approach is consistent with the method of regulation we believe will be recommended by the AMF, the method adopted in the United States under the CEA and CFMA, and the approach suggested above to the regulation for organizations offering execution services.

The Committee understands that the AMF will recommend a set of core principles that would apply to both exchanges and clearing organizations. OSC staff recommend that the core principles for clearing organizations should be tailored to those organizations and should not necessarily be the same principles as apply to exchanges.

The Committee's view is that the new legislations adopt a core principles based regulation of clearing organizations. Ontario should work with Quebec and other Canadian jurisdictions to endeavour to define a set of common principles based on the IOSCO principles for the regulation of clearing organizations.

Self-certification

CDCC favours a self-certification model for clearing corporations.

Like exchanges, clearing organizations have an interest in ensuring that the rules they adopt to regulate their operations are effective, sound and acceptable to their participants.

The Committee believes that a self-certification model should be adopted for recognized clearing organizations, with a requirement that the OSC be notified of the rules changes and that the organization meet certain filing requirements that would

[18] Based on the IOSCO core principles. See note 8.

be established by the OSC under a rule making power. Under these conditions, rules could come into effect prior to, or in the absence of, review by the OSC.

Under such a system, the OSC's jurisdiction, set out in principle in the legislation and in more detail in implementing regulations, would be to review the changes. Rule changes that have been implemented which do not satisfy the core principles should result in punitive action against the relevant clearing organization.

The Committee is continuing to study whether there should be mandatory publication of proposed rules and a mandatory notice period before implementation of certain types of rule changes (e.g., not technical or housekeeping amendments), and whether any such requirements should be in the CFA, the regulations or set by administrative policy.

Self-Regulatory Organizations

As under the OSA, the CFA provides for voluntary recognition of self-regulatory organizations, including exchanges (**SROs**). The IDA is the only non-exchange SRO to be recognized under the CFA . Under the CFA, no regulatory functions have been delegated to the IDA. Given the limited participation (until recently) of SROs in commodity futures regulation, very little consideration has been given to their appropriate regulatory role under the CFA.

A relatively new development in the securities industry has been the outsourcing of market regulation functions to a recognized SRO, Market Regulation Services Inc. Commodity futures exchanges presently retain their market regulation functions; however, it is conceivable that exchanges in future may wish to outsource certain functions in order to alleviate conflicts that might arise between members or shareholders and their functions, or to increase efficiency.

The Committee understands that the AMF will recommend that the outsourcing of certain functions, such as market regulation and monitoring and registration of participants, be permitted.

The CSA is currently studying the issue of SRO oversight. The Committee invites comment on whether self-certification is appropriate for SROs.

The Committee recommends that recognition of SROs should be mandatory.

Anti-Fraud and Market Manipulation Rules

Market Manipulation and Fraud

The OSA includes a general anti-fraud and manipulation provision with respect to securities.[19] This provision is supplemented by National Instrument 23-101, *Trading Rules*, which deal with manipulation and fraud.[20] Persons and companies that comply with the rules, policies and instruments established by a recognized exchange, a recognized quotation and reporting system or a regulation services provider are exempt from the application of this provision. A companion policy to National Instrument 23-101 describes activities that would be considered to create a misleading appearance of trading activity or an artificial price.

A similar anti-fraud and manipulation provision has recently been added to the CFA. The language of the CFA provision is very broad and covers fraud and manipulation in contracts and/or commodities with respect to exchange trading. It reads:

> 59.1 A person or company shall not, directly or indirectly, engage or participate in any act, practice or course of conduct relating to commodities or contracts that the person or company knows or reasonably ought to know,
>
> (a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for, a commodity or contract; or
>
> (b) perpetrates a fraud on any person or company.

There is no supplementing National Instrument, regulation or policy applicable to the CFA provision.

Exchanges and clearing organizations in both the United States and Canada have established additional procedures to prevent "cornering" and to detect attempts to corner markets early in the process. The activity of cornering the market involves purchasing a security or commodity in such a volume that control over its price is achieved. The objective is to make those with

[19] Section 126.1.
[20] Section 3.1.

a short interest in the commodity pay an inflated price to cover the position or to secure the security or commodity in the cash market. The additional procedures impose two criteria on participants to eliminate the abuses in the derivatives markets: a reporting level and a position limit. A reporting level is the size of positions set by the exchanges, clearing organization and/or the regulatory entity at or above which commodity traders that carry these accounts must make daily reports. A position limit is defined as the maximum position, either net long or net short, on one commodity future (or options) or in all futures (or options) of one commodity combined that may be held or controlled by one person as defined by an exchange or regulatory entity.

In the United States, either the CFTC or the exchange/clearing organization establishes the reporting and position limits depending on the underlying interest of the commodity. In Canada, the MX and CDCC set the reporting and position limits on a per contract basis.

In the United States the core principles applicable to regulated entities include these requirements with respect to market manipulation and fraud. Anti-manipulation and anti-fraud provisions apply also to an exempt multilateral transaction facility.

With respect to oversight responsibilities, in the United States the CFTC has broad oversight powers, performs its own monitoring of trading and has a large enforcement staff. It is, however, regulating 13 different exchanges on a national basis. The CFTC has special powers of intervention that are quite far-ranging.[21]

The Committee understands that the AMF is recommending that it be the responsibility of the exchange, presently only the MX, to oversee its markets on its behalf. The AMF specifically noted that if other derivatives exchanges develop, the establishment of an independent SRO with the power to oversee markets could be appropriate. The exchange responsibilities can be built into the core principles.

There is currently no derivatives exchange based in Ontario. The OSC staff has been developing more experience in the regulation of derivatives and futures markets, but it is not a major aspect of their regulatory work. Imposing the sole responsibility for enforcing trading rules on the OSC would not be appropriate. General oversight of compliance by regulated entities with core principles and requiring those core principles to address manipulation and fraud is a more realistic approach for the Ontario market. Sufficient flexibility in the legislation to permit the OSC to rely on regulation by an SRO, should the presence of exchanges develop in Ontario, would also be appropriate.

The Committee's view is that the responsibility for oversight of the market be shared with the existing regulated entities, adopting the same approach as is expected to be recommended by the AMF. As new exchanges appear, the OSC should have sufficient discretion to determine the appropriate approach.

Large Position Monitoring

The monitoring of large positions is intended to identify situations where a threat of market manipulation exists. This essential aspect of a market surveillance program for futures and options is carried out in Canada by the individual exchanges. In terms of CF contract exchanges, because there is little overlap in product, there has not developed a need for central monitoring. For example, monitoring of large positions on the MX is carried out by its own regulatory staff. No monitoring is currently performed by Canadian securities regulators.

In the United States monitoring of positions is carried out by the CFTC, which collects information from various sources and conducts a very in-depth surveillance program on the basis of the information it receives. The CFTC is authorized to impose limits on speculative positions in the commodity futures market.

The Committee understands that the AMF will not recommend adopting as extensive an approach to monitoring as the CFTC's program because of the cost of such a program and the difficulty of detecting manipulation even with such a program. The AMF is recommending a system of severe deterrence penalties together with requirements imposed on exchanges to monitor trading. To the extent that derivatives exchanges develop that trade similar products, a system to centralize the information collected by all derivatives exchanges could be developed and managed by the AMF or an SRO.

The Committee agrees with the anticipated approach of the AMF.

The Committee's view is that the new legislation should address large position monitoring by implementing a system of deterrence penalties together with the power to require exchanges to monitor trading.

[21] Such as to raise margins, extend delivery periods, compel exchanges to allow delivery elsewhere than the location contemplated, request that position be closed, temporarily suspend a market or even impose a price at which all positions must be closed.

Regulatory Powers of OSC with respect to CF Contracts

The Committee is continuing to study the types of enforcement and regulatory powers the OSC would require to effectively regulate under the new legislation.

Should CF Contracts be regulated as part of the Securities Act?

The Committee heard different views on whether the regulatory regime regarding CF contracts should be integrated into the scheme of regulation in the OSA (i.e. treat them for the most part as securities) or should be in its own tailored, separate statute, such as the CFA, or a self-contained part of the OSA. The Committee's preliminary conclusion is that a separate statute or self-contained part of the OSA is recommended at this time.

We heard from some commentators that the trend in the market is toward greater convergence between the characteristics of exchange-traded derivatives and securities and that the fundamental distinctions between them no longer exist. Dealers also regard exchange traded products and securities as fungible and would benefit from a similar regime applying to both. Essentially the legislation covers the same broad areas, namely disclosure, registration, exchange regulation, clearing regulation, investigation and enforcement.

The Committee recognizes that there are disadvantages to two separate regulatory schemes. First, as has been demonstrated by the current situation, the two pieces of legislation may start out as relatively consistent but over time inconsistent provisions can easily arise. Second, there can be uncertainty with respect to the treatment of products that straddle two regimes. Third, overlapping jurisdictions can provide opportunities for legal arbitrage, with issuers/offerors choosing the more beneficial regime. Fourth, administering two separate regimes may result in increased costs of regulation. On balance, the Committee's preliminary view is that a separate regulatory scheme is appropriate at this time. Treating exchanged traded CF contracts as separate instruments, with rules and regulations that recognize their unique aspects, will allow the government to better meet the objectives of flexibility within an efficient and sound marketplace.

As to whether the regulatory scheme for CF contracts should be in a separate CFA or in a self-contained part of the OSA, the Committee is concerned that much needed amendments to the scheme of regulation for CF contracts would be unnecessarily delayed if they were to be considered in the context of amending the OSA. The current OSA is not based on a core principles model. It would be difficult to implement a core principles model of regulation into the largely rules-based regulatory scheme of the OSA unless it was also being amended to move to a core principles based model of regulation.

The regulation, whether in a separate act or separate part of the OSA, should nevertheless be compatible with the OSA, and the two statutes (or parts) should be monitored to ensure that market participants are not subject to conflicting regulation or that activities which should be regulated are not because they do not fall under either regulatory regime.

Finally, as discussed below, OTC contracts and other derivatives are currently within the purview of the OSA.

The Committee's view is that, at least initially, the new legislative regime be in separate legislation or a self-contained part of the OSA.

The Committee is interested in views as to whether all derivatives, and not just CF contracts, should be addressed in a single piece of legislation pursuant to a new "Derivatives Act" or as a comprehensive, self-contained section of the OSA.

Single Regulator

In Ontario, there is a single regulator of CF contracts and securities markets. In the United States jurisdiction is split between the CFTC and the SEC, the result in part of the history of commodities regulation in the United States; this has not in many respects been an ideal situation in the United States No one submitted to the Committee that a separate regulatory body for CF contracts would be appropriate in Ontario. It is appropriate to maintain the current single regulator structure.

The Committee recommends that the OSC continue to be the designated regulator of commodity futures and derivatives markets.

PART 4 - OTC CONTRACTS

Areas for Reform and Policy Development

The Committee's mandate is to make recommendations as to a regulatory framework which would help maintain and foster strong Ontario participation in Canadian and international derivatives markets. International derivatives markets include the OTC contracts markets, and consequently, the Committee is considering what types of reforms are required to enhance the ability of Ontarians to fully participate in these markets.

This requires consideration of the proper role of securities regulation in markets that are only in part investment markets. It also requires consideration of what other reforms might be required in order to create the required legal environment for OTC contracts. This includes not only legal certainty with respect to the application of securities laws, but also as to the enforceability of contractual rights. It will likely be the case that different definitions of what is an OTC contract would be needed for different purposes.

Role for Securities Regulation

A traditional security is generally a vehicle for investment regardless of whether it trades on an exchange. The exchange traded CF contracts market, on the other hand, is a zero-sum market for risk management and speculation. The OTC contracts market is largely a risk management market. Neither the CF contracts market nor the OTC contracts market is an investment or capital raising market. For the most part, OTC contracts are risk management products and financial products. While relatively standardized in terms of documentation, they are negotiated bi-lateral transactions entered into between financial institutions, institutional fund managers and other sophisticated end-users. To the extent they involve delivery of commodities, they can also be characterized as commercial market transactions. Securities regulators have little interest in regulating these financial or commercial markets and participants in those markets see no need to be regulated by securities regulators.

It is important to exclude commercial and financial markets from the scope of securities legislation. Contracts for the actual sale and delivery of commodities or risk management products offered by financial institutions can be inadvertently swept into the regulatory scheme unless the scope of the regulation is carefully considered.

Certain markets which might overlap with a regime that covers OTC contracts are already regulated by regulators who have special expertise. For example, the Independent Electricity System Operator has jurisdiction to authorize physical and financial market participants in electricity markets and the Ontario Energy Board licences sellers of electricity.

However, OTC contracts offered at a retail level, particularly over trading systems, do offer a means of speculating on (or investing in) movements in the underlying interests. While the retail market for such contracts is a nascent one in Canada, regulators have expressed concerns about fraud or the potential for fraud in the retail market. OSC staff has expressed concern about trading practices and disclosure issues at the retail level. The Futures Industry Association in the United States has provided information indicating that fraud in the foreign exchange contracts markets at the retail level is a concern in the United States There is a legitimate role for a securities regulator and for disclosure and intermediary registration requirements in the retail OTC contract market.

Participants in this market also require certainty as to the application of securities laws. Under the current law in Ontario there is uncertainty as to whether certain privately negotiated OTC cash settled contracts, where the underlying interest is a security, are governed by the OSA. There is also some uncertainty as to whether other types of OTC contracts are subject to regulation as securities, such as currency forwards, arising out of the *Pacific Coin* case[22] and other regulatory decisions[23] .

As noted, the OSC has not yet exercised its rule-making power under the OSA to regulate OTC contract markets in any comprehensive way. The Committee believes that the OSC would benefit from further policy or legislative guidance to develop the appropriate regulatory framework for OTC contracts at the retail level.

Defining an OTC contract

An important question is how securities legislation or regulation should define the retail OTC contracts market. This requires a definition for both the contracts and for a "retail customer".

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22 *Pacific Coast Coin Exchange of Canada Ltd.* v. *Ontario (Securities Commission)*, [1978] 2 S.C.R. 112.

23 *Koman Info-Link Inc.* (*Re)* (2000), 23 OSCB 3974; *Yuen Chow International Group (Re)*, BCSC Weekly Summary, Edition 95:22 dated June 9, 1995; *Currency Specialist Ltd. (Re)*, BCSC Weekly Summary, Edition 95:22 dated June 9, 1995; and *Chinamax International Investment Ltd. (Re)*, BCSC Weekly Summary, Edition 97:13 dated April 4, 1997.

In Canada the preferred approach to date for defining a derivative contract is to define it extremely broadly and then to provide broad exemptions for the types of contracts not intended to be included. The preferred approach for defining the market is not to define what the retail market is, but to define what it is not (namely contracts between parties that fall within certain specified categories, such as banks, brokers, etc.). In the Committee's view, neither of these approaches is necessarily the most appropriate for the OTC contracts market.

The definition of derivative proposed in the proposal for a *Uniform Securities Act* (**USA**), for example, took the approach of defining very broadly the concept of a "derivative".[24] Similarly, under its rule-making power with respect to derivatives, the OSC has adopted a very broad definition of a "derivative". Rule 14-501 section 1.1(3) defines a "derivative" for purposes of the OSA as:

> an instrument, agreement or security, the market price, value or payment obligations of which is derived from, referenced to, or based on an underlying interest, other than a contract as defined for the purposes of the *Commodity Futures Act*.

"Underlying interest" is widely defined, for a derivative, in section 1.1(2) as:

> the security, commodity, financial instrument, currency, interest rate, foreign exchanges rate, economic indicator, index, basket, agreement or benchmark or any other financial reference, interest or variable, and, if applicable, the relationship between any of the foregoing, from, to or on which the market price, value, or any payment obligation of the derivative is derived, referenced or based;

This broad definitional approach is also the approach we understand will be recommended by the AMF and it is the approach currently in place in Alberta and British Columbia securities legislation.

As these attempts to define a "derivative" demonstrate, it is a concept that is not possible to define without adopting a level of generality that renders the definition quite unhelpful. While they provide maximum flexibility and are attractive to regulators for that reason, broad conceptual definitions such as these have the disadvantage of inevitably creating uncertainty and potentially bringing within their scope transactions that should not be subject to the legislation. With a very broad and generic definition, there will have to be broad and generic exclusions in order to avoid an inappropriate legislative scope. Also, broad generic definitions compromise legal certainty, which is vitally important in these markets.

The definition of derivative that was proposed in the USA and the definition adopted by the OSA are broad enough to cover every credit agreement and every sale of goods contract. ISDA provided comments to the CSA that criticized the proposed definition and the uncertainty it would create.

Traditional bank products could be caught by a broad definition of the contracts subject to the legislation under such an approach. In the United States the CFMA includes a new Title IV, entitled "Legal Certainty for Bank Products Act of 2000". This Title excludes the application of the CEA to and CFTC regulatory authority over certain identified banking products, hybrid instruments that are predominantly banking products and covered swap agreements. It is a complex law driven by the uncertainty created by the broad definitions in the CEA. The excluded bank products are:

- *Identified Banking Products.* Title IV provides an exclusion for all banking products in the market before the CFMA came into force.[25] New identified banking products are excluded if the product is not linked to and does not provide for delivery of any commodity (as defined in the CEA) or the product or commodity is otherwise excluded from the CEA.[26]

- *Hybrid Instruments.* A hybrid instrument that is predominantly a banking product is also excluded. There is a statutory process for determining the issue of predominance that involves both the CFTC and the Board of Governors of the Federal Reserve System.

- Banking products include accounts, certificates of deposit, bankers acceptances, letters of credits, bank loans, credit card debit accounts and loan participations sold to eligible contract participants.[27] The definition of bank includes a wider class of financial institutions than banks (but does not include dealers).

[24] Canadian Securities Administrators, *Blueprint for Uniform Securities Laws for Canada, 2003*.
[25] Section 403. Subject to certain limits and to certification by the appropriate United States banking agency.
[26] Section 404.
[27] They are identified by reference to a test in the *Gramm-Leach-Bliley Act* as amended by the CFMA. GLB Act, Section 206(a), (1) to (5).

- *Covered Swap Agreements.* Covered swap agreements are swap agreements relating to non-agricultural commodities that are between eligible contract participants and not effected on a trading facility or are traded on a principal to principal basis on an electronic trading facility if they relate to an "excluded commodity"[28].

If a broad definition of "OTC contract" or derivative were to be adopted as the basis of regulation of the retail OTC market, then it would be necessary to define an exemption or exclusion relating to bank products (perhaps similar to the identified banking products and hybrid products exemptions under the CFMA) so as not to interfere with the exclusive federal jurisdiction with respect to banking and so as not to be regulating what are essentially financial markets transactions. A more targeted definition would avoid many of these issues.

Insurance products might also be caught by any broad definition of the types of contract caught by the legislation.

An alternative approach, one similar to the current OSA approach and the approach in the Canadian insolvency statutes dealing with eligible financial contracts, is to develop a more specific list of the types of contracts that are derivatives, but also include a basket clause to capture similar agreements and easily accommodate future market innovation. The regulator could also be given the power to designate specific contracts if they fall within a class of similar contracts. In other words, the term "derivative", or whatever other term is used to define the contracts, has to be defined by example. Any attempt to create a generic definition will result in an over-inclusive definition.

The Committee's view is that the legislation should define "derivatives" for securities regulatory purposes with a list of the types of contracts captured, including in the list "similar contracts". Such contracts entered into with a "retail customer" would define the scope of the OSC's jurisdiction.

Consideration should be given to whether certain hedging contracts at the retail level should also be excluded. Any definition should take into account that there is a market for hedging transactions at the consumer and other retail levels that should not necessarily be subject to securities regulation. End-users in the OTC contracts markets are often hedging a financial or other risk. For example, a small housing co-operative might enter into a cash settled natural gas forward agreement with a gas retailer to hedge its commodity price exposure. A householder or a small municipality might enter into an electricity hedging arrangement with an electricity market participant or a contract for differences for his car gasoline requirements with a commercial market participant such as Petro-Canada. An individual might hedge the floating interest rate on its building loan by entering into a floating to fixed interest rate swap with a financial institution.[29]

Requiring providers of or dealers in these types of hedging products with end-users (including retail users) to be registered with the OSC or to provide a prospectus or similar document may not be necessary if the counterparty is a regulated financial institution, regulated by a regulator of the commercial market (e.g. licensed by the Ontario Energy Board and authorized by the Independent Electricity System Operator) or even a participant in the commercial market (e.g. a gas retailer such as Petro-Canada entering into cash settled gas forwards).

In certain circumstances, these types of transactions may be regulated as consumer transactions subject to general consumer protection legislation. Under the Ontario *Consumer Protection Act* a consumer transaction subject to the OSA or the CFA is excluded from the protections under the Act. If the new legislation is extended to all retail OTC contracts, then consideration should be given to whether they should or should not also be subject to the Consumer Protection Act. It may be that in certain cases it is more appropriate to provide the protections of the Consumer Protection Act. For example, a consumer entering into an electricity hedging arrangement through a door to door sales contract may expect to receive the protections under consumer protection legislation and the regulatory oversight of the OEB and the IESO, and not the regulatory oversight of the OSC. Similarly, regulation should not capture as "forwards" contracts that are settled at the time entered into and which simply provide for future delivery of an item or future payment of the previously agreed price.

Defining the Retail Market

The approach which the Committee understands is being recommended by the AMF is to bring within the scope of regulation all derivatives contracts (broadly defined), whether they trade on an exchange, a trading system or are negotiated between parties outside of an exchange or trading system. Broad exemptions from registration and disclosure requirements would then be implemented in order to exclude OTC transactions, other than at the retail level. It would do so through adoption of an "eligible parties" concept, namely that non-exchange transactions between eligible parties would not be subject to the Act. This approach of broad inclusion coupled with broad exclusions was also the approach recommended by the CSA with respect to the USA, except for Ontario. The approach is currently in place in Alberta and British Columbia where the Securities Acts

[28] Excluded commodities is a wide concept that includes interest rates, exchange rates, currencies, securities, credit risk measures, inflation indices and other macroeconomic measures or indices, commodities representing an occurrence or event outside the control of the parties to the transaction.

[29] These parties would not meet the definition of "commercial user" in the Alberta and British Columbia Blanket Orders.

apply to OTC transactions, but where the regulators have exempted from the prospectus and registration requirements, by blanket order, transactions between "qualified parties".

This approach, as proposed for the USA, was criticized by ISDA as creating unnecessary inefficiencies for counterparties who must determine whether they or their counterparties fit within any of the exempt categories.

The approach was also rejected by Ontario's then Minister of Finance when the OSC applied for approval of its proposed Over-the-Counter Derivatives Rule in 2000. The Minister's direction at that time was to identify the market that required regulation by securities regulators and to regulate only that market.[30]

An approach that uses a complex set of definitions to define the scope of the market inevitably will result in situations where parties technically do not fit the definition of "accredited investor", "qualified party" or similar term, even though the relevant exemption should apply.

Set against these issues or potential problems are the benefits of compatibility with the regulatory approach in other Canadian jurisdictions and the United States. The scope of these regimes is defined in some fashion or another by the concept of an eligible participant.

On balance, the Committee's view is that it is more appropriate to endeavour to define what is the retail market (a positive definition), than to define what it is not through the adoption of an eligible participant or similar concept (a negative definition).

The Committee is continuing to study what would be an appropriate definition of the retail market, including whether it is possible to define the "retail" market with a positive definition.

Legal Certainty for the OTC Contract Market - Contract Enforcement

Because the legislation will directly regulate a contractual relationship between parties, we recommend that it specify the effect of non-compliance with the legislation or any of its exemptions on the enforceability of the contract. Legal certainty as to the enforceability of contractual rights is very important in these markets. Market participants who are to soon become subject to the requirements of the Basel II Capital Accord[31] in particular must specifically address legal certainty in their risk assessment procedures and capital requirements applying to transactions with parties from a jurisdiction can be affected where a legal regime does not provide sufficient legal certainty. Because the exemptions to a large extent will rely on the characteristics of a participant that may not be easily ascertainable by its counterparty (i.e. are they retail customer), parties should be able to rely on representations as to status or the availability or applicability of exemptions.

The legislation should provide that a contract is not unenforceable based solely on the failure of the transaction to comply with the terms of an exemption or exclusion provided for under the legislation.

The Committee is considering whether to recommend a more general approach, namely that no breach of the Act renders a transaction unenforceable. There would be regulatory consequences of a breach, but contract rights would be secure. In OTC contracts, the parties will have common law rescission or damages rights arising out of negligent or fraudulent disclosure.

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30 The OSC published the following notice with respect to proposed rule:

On September 8, 2000, the Commission delivered Rule 91-504 Over-the-Counter Derivatives (the "Rule") and Companion Policy 91-504CP (the "Policy") to the Minister of Finance for approval under section 143.3 of the Securities Act.

On November 2, 2000, the Minister returned the Rule and the Policy to the Commission for further consideration by the Commission of the need for the Rule, especially in regard to the balance between the costs and other restrictions on market participants and the objectives of the Rule, and whether the Commission's objectives in connection with the regulation of over-the-counter derivatives can be achieved by a rule that identifies the specific classes of transactions and related parties that will be regulated as opposed to having provisions of the Securities Act apply to all over-the-counter derivatives transactions and then providing exemptions from that application. The Minister indicated that a more detailed review of the nature and extent of any disclosure issues in retail over-the-counter derivatives transactions would be helpful in determining the appropriate approach.

31 Basel Committee on Banking Supervision as set out in *International Convergence of Capital Measurement and Capital Standards: A Revised Framework* dated November 2005, Found at http://www.bis.org/publ/bcbs118.htm.

It is similarly important that there be clarification that OTC contracts are not contracts of insurance or unlawful gaming contracts.[32] The prevailing legal view is that they are not, but the market would benefit from definitive confirmation of this position.

Certainty of Termination, Netting and Collateral Realization Rights

As part of the reform process for OTC contracts and, to a certain extent, CF contracts the Ontario government will have the opportunity to introduce other reforms that would protect Ontario derivatives and securities financing markets.

There is a need to create certainty under Ontario law with respect to the enforceability of termination, netting and collateral realization rights.

These protections are required not only for OTC contracts as they might be defined under securities legislation, but for any derivatives transactions documented as subject to termination and netting agreements. Accordingly, this could include CF contracts. It also includes a wider range of transactions, including securities lending, securities and commodities repurchase and reverse repurchase transactions (repos) and agreements for the purchase and sale of securities. The parallel concept in federal legislation is an "eligible financial contract".

Canadian federal statutes provide protections for termination and netting rights in eligible financial contracts in the context of federal insolvency proceedings.[33] Section 13 of the *Payment Clearing and Settlement Act* is not itself an insolvency statute, but it provides a protection for termination and netting rights in netting contracts between financial institutions notwithstanding any insolvency law or court order in an insolvency proceeding to the contrary.

> 13. (1) Notwithstanding anything in any law relating to bankruptcy or insolvency or any order of a court made pursuant to an administration of a reorganization, arrangement or receivership involving insolvency, where a financial institution or the Bank is a party to a netting agreement, the financial institution or the Bank may terminate the agreement and determine a net termination value or net settlement amount in accordance with the provisions of the agreement and the party entitled to the net termination value or settlement amount is to be a creditor of the party owing the net termination value or net settlement amount for that value or amount.
>
> (2) In subsection (1),
>
> …
>
> "net termination value" means the net amount obtained after setting off or otherwise netting the obligations between the parties to a netting agreement in accordance with its provisions;
>
> "netting agreement" means an agreement between two or more financial institutions or between the Bank and one or more financial institutions that is
>
> (a) an eligible financial contract within the meaning of section 22.1 of the Winding-up and Restructuring Act, or
>
> (b) an agreement that provides for the netting or set-off of present or future obligations to make payments against the present or future rights to receive payments.

A similar type of statutory provision could be enacted in Ontario to cover provincial laws and proceedings.

ISDA and numerous other industry groups have requested further amendments to the federal insolvency legislation to ensure that realization of collateral for eligible financial contracts cannot be stayed in the context of a proceeding or by order of a court. The suggested amendments will also provide certain limited safe harbours from fraudulent preference and conveyance laws. The recommended amendments are needed to bring Canadian laws into compliance with international standards.

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[32] The legal definition of what is a contract of insurance is ambiguous. In light of this ambiguity, because OTC contracts serve a risk management function and because payment obligations are dependent on uncertain events, there has been some uncertainty as to whether certain types of OTC contracts are contracts of insurance.

[33] *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3, s.65.1; *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, s.11.1; *Winding-up and Restructuring Act*, R.S.C. 1985, c. W-11, s.22.1; *Payment Clearing and Settlement Act*, S.C. 1996, c. 6, section 13; *Canada Deposit Insurance Corporation Act*, R.S.C. 1985, c.C-3, s. 39.15(4).

Because certain provincial proceedings (such as receivership and corporate plans of arrangement) have the potential to stay or interfere with the exercise of contractual rights and because there are provincial fraudulent conveyance and creditor preference laws, it is important to adopt parallel protections under Ontario law for such financial transactions.

The Committee's view is that the government introduce a general statutory protection for termination, netting and collateral enforcement rights (subject to the *Personal Property Security Act* and *Securities Transfer Act*) with respect to derivatives contracts that would override any other provincial statute or judicial discretion.

The *Assignment and Preferences Act* and *Fraudulent Conveyances Act* should be amended to include safe-harbours for collateral transfers with respect to OTC contracts, other derivatives, securities purchase and sale contracts and securities financing contracts.

PART 5 – REGULATION OF PARTICIPANTS

Any person or company that trades in (i.e., dealers) or acts as an adviser with respect to commodity futures contracts is required to register under the CFA or obtain an exemption. There are three categories of registration for advisers (commodity trading adviser, commodity trading counsel and commodity trading manager) and one category for dealers (futures commission merchant, or **FCM**). The CFA also provides some statutory exemptions from the registration requirement, for example trades by a hedger through a dealer.

The registration components of the CFA are outdated. There are numerous areas of the CFA's registration requirements that require reconsideration. In addition, while significant changes have been made over the last decade to the OSA's registration requirements, these changes have not been mirrored under the CFA. Given that Ontario is an active participant in the CSA's Registration Reform Project, an ongoing initiative to harmonize, streamline and modernize the securities registration regime across the country, the disparity between the two regimes will soon become even greater. Although the registration requirements and exemptions that are appropriate for trading and advising under the CFA do not correspond exactly to those that are appropriate with respect to securities, they are, in most respects, broadly the same.

In derivatives markets, because they encompass capital markets, financial markets and commercial markets (such as physical commodities markets), there will be intermediaries and advisors who have expertise in a particular aspect of the market. The registration system must be flexible enough to accommodate registration by entities that do not participate in securities markets without requiring them to meet requirements that would apply to a securities broker or dealer. For example, a participant intermediating transactions solely over NGX or Netthruput should not have to meet proficiency requirements for the trading in securities or perhaps even futures trading generally.

The registration system should be flexible enough to accommodate the participation by intermediaries who may have a specialization in limited aspects of the derivatives market.

The United States approach under the CEA has specific registration categories for derivatives, namely Futures Commission Merchants, Commodity Pool Operators, Introducing Brokers, Commodity Trading Advisors, Associated Persons, as well as Floor Brokers or Traders.

The Canadian market is not as complex or nearly as large as the United States market and the Committee believes that a formalized and complex categorization of registration may not be appropriate in the relatively small Canadian market. The AMF has expressed a similar view.

The Committee believes that the recommendations of the Registration Reform Project will be relevant to the consideration of requirements for regulation of intermediaries, including core principles related to integrity, proficiency and financial solvency for market intermediaries. The Committee is continuing to study the appropriate registration requirements for the CF contracts and regulated OTC contracts markets.

PART 6 - SUMMARY OF COMMITTEE'S PRELIMINARY VIEWS

CF Contracts

General

1. The CFA should be repealed and replaced with a new legislative structure (**new Act**) under the regulatory oversight of the OSC.

2. The new Act must be compatible (although not necessarily harmonized) with other Canadian regulatory regimes as well as the regulatory regime in the United States, and, to the extent feasible, other global markets in which Ontario participants take part.

3. The new Act should adopt a core principles approach to the regulation of exchanges (and potentially other trading systems), clearing organizations, other self-regulatory organizations and participants.

4. The general and flexible core principles should be set out in the new Act. Ontario should work with Quebec and other Canadian jurisdictions to endeavour to define a set of common core principles.

The Contracts

5. The new Act must update the definitions of "commodity" and "commodity futures contract". It should define the types of CF contracts subject to the legislation with reference to generic qualities that do not define the specific underlying interests or the specific features of the contracts.

Exchanges

6. The two concepts of recognition and exemption that have in practice been applied to futures exchanges under the CFA and in other jurisdictions and under the OSA should be applied to the regulation of exchanges under the new Act.

7. Only recognized or exempted exchanges should be permitted to carry on business in Ontario.

8. The new Act should provide guidance on what it means for an exchange to carry on business in Ontario.

9. The new Act should clearly confer on the OSC the jurisdiction to enter into the types of agreements and arrangements that will allow it to implement a lead regulator model.

10. A core principles approach for the recognition and regulation of exchanges should be adopted.

11. A self-certification model for recognized exchanges should be adopted, with a requirement that the OSC be notified of the rule changes and that the exchange meet certain filing requirements that would be established under a rule-making power. Under these conditions, rules could come into effect prior to or in the absence of review by the OSC.

12. The OSC's jurisdiction, set out in principle in the legislation and in more detail in implementing regulations, would be to review the changes.

Clearing Organizations

13. There should be mandatory recognition of clearing organizations that carry on business in Ontario and clear CF contracts and OTC contracts, regardless of whether they take place on a regulated market.

14. A clearing organization carrying on business in Ontario as a centralized facility for the clearing of trades in CF contracts should be required to obtain recognition, or seek an exemption from recognition, under the new legislation, regardless of whether the trade took place on a regulated market.

15. A CF contracts exchange that is seeking to be recognized by the OSC should be required to have its contracts cleared through a clearing organization recognized by the OSC.

16. Regulatory criteria should be tailored to organizations performing a clearing function; in other words, regulation of clearers should be a separate matter from regulation of entities providing execution services. Entities providing both services would comply with both compatible sets of regulatory criteria.

17. No distinction should be drawn between an organization that clears exchange traded contracts and an organization that clears off-exchange transactions, even those trading in an exempt market.

18. A core principles approach for the recognition and regulation of clearing organizations should be adopted.

19. A lead regulator model is appropriate for clearing organizations.

20. A self-certification model should be adopted for recognized clearing organizations with a requirement that the OSC be notified of the rule changes and that the organization meet certain filing requirements that would be established by the OSC under a rule-making power. Under these conditions, rules could come into effect prior to or in the absence of review by the OSC.

21. The OSC's jurisdiction, set out in principle in the legislation and in more detail in implementing regulations, would be to review the changes.

SROs

22. Recommendations with respect to the issue of SRO oversight should await the outcome of the CSA study of SROs.

23. Recognition of other SROs should be mandatory.

Market Oversight

24. The responsibility for oversight of the market should be shared with the existing regulated entities, adopting the same approach as is expected to be recommended by the AMF. As new exchanges appear, the OSC should have sufficient discretion to determine the appropriate approach.

25. The new legislation should address large position monitoring by implementing a system of deterrence penalties together with the power to require exchanges to monitor trading.

Relationship with OSA

26. At least initially, the new Act should be separate legislation or a self-contained part of the OSA under the regulatory oversight of the OSC.

27. Derivative-like securities should continue to be subject to the OSA.

OTC Contracts

Role for Securities Regulation

28. There is a role for securities regulatory oversight in the retail OTC contract market. Securities regulation should not, however, extend to financial or commercial OTC contract markets.

29. The government should provide legislative or policy guidance to the OSC with respect to the regulation of "derivatives" in the retail OTC market.

30. Legislation should define "derivatives" for securities regulatory purposes with a list of the types of contracts captured, including in the list "similar contracts". Such contracts entered into with a "retail customer" would define the scope of the OSC's regulatory jurisdiction.

31. The government should provide guidance with respect to the definition of a "retail customer". If feasible, it is more appropriate to define the retail market by describing what it is (a positive definition), as opposed to what it is not (a negative definition, e.g. contracts between eligible participants).

Protection of Contractual Rights

32. Legislation should specifically recognize the enforceability of contracts notwithstanding non-compliance with the Act.

33. Legislation should include a general statutory protection for termination, netting and collateral enforcement rights (subject to the *Personal Property Security Act* and *Securities Transfer Act*) with respect to OTC contracts, other

derivatives, securities purchase and sale contracts and securities financing contracts, that would override any other provincial statute or judicial order.

34. The *Assignment and Preferences Act* and *Fraudulent Conveyances Act* should be amended to include safe-harbours for collateral transfers with respect to OTC contracts, other derivatives, securities purchase and sale contracts and securities financing contracts.

35. Legislation should clarify that OTC contracts and other derivatives are not contracts of insurance or unlawful gaming contracts.

PART 7 - SPECIFIC ISSUES ON WHICH FURTHER INPUT SOUGHT

The Committee welcomes comments on any aspect of this preliminary report. The particular issues that the Committee is continuing to consider or seek input on are:

CF Contracts

1. What parameters should define the key terms of "commodity" and "commodity contract" under the legislation governing exchange traded contracts?

2. What are the jurisdictional connections that should determine when an exchange or clearing organization is *carrying on business in Ontario* for the purpose of determining whether it is required to be recognized or exempted from the recognition requirement?

3. How should the lead regulator model apply to non-Canadian exchanges and clearing organizations?

4. Is there any benefit to a reciprocity requirement with respect to the recognition of non-Ontario or non-Canadian exchanges?

5. If a self-certification model for recognized exchanges (i.e. exchanges for which the OSC is the lead regulator) is adopted, what should be the role of the OSC with respect to the review of contracts and contract amendments, and other rule changes? Should pre-publication of rule changes be mandated by statute?

6. If a self-certification model for recognized clearing organizations (i.e. clearing organizations for which the OSC is the lead regulator) is adopted, what should be the role of the OSC with respect to the review of rule changes? Should pre-publication of rule changes be mandated by statute?

7. If a self-certification model for recognized exchanges and clearing organizations is adopted, what should the enforcement mechanisms be, if any, to ensure compliance of the contracts and rules with the core principles?

8. Should the legislation adopt a tiered approach to the regulation of exchanges and, if so, what would the substance of that approach be?

9. What is the appropriate regulatory regime for an ATS that brings together parties to CF contracts for trading on a non-discretionary basis?

10. What are the characteristics that distinguish an ATS from a trading system that is not a marketplace?

11. Is a self-certification model appropriate for other self-regulatory organizations in the commodity futures business?

OTC Contracts

12. What types of OTC contracts, if any, should be subject to the regulatory jurisdiction of the OSC?

13. How should OTC contract/derivative contract and retail customer be defined for purposes of setting the broad parameters of the OSC's regulatory jurisdiction?

14. Are there OTC transactions with consumers that should only be subject to the Consumer Protection Act?

15. What is the appropriate form of disclosure document for retail OTC contracts that would be subject to the OSC's regulatory jurisdiction? Is it a prospectus or something different? Should the OSC have the jurisdiction to decide on the appropriate form of disclosure document?

Participants

16. How should intermediaries be regulated?

Biographies

Carol Pennycook

Partner, Davies Ward Phillips & Vineberg LLP practicing in corporate/commercial and securities law. Chair of the Commodity Futures Advisory Board for several years.

John Clark

Chairman, President and CEO of JC Clark Ltd. Involved in the investment industry for over 40 years. Held the position of Chairman of the Board of Governors of the Toronto Stock Exchange from 1995 to 1997.

Stephen J. Elgee

CFA, President, Faversham Holdings Inc. Steve spent his entire career at BMO Nesbitt Burns where he was involved in all aspects of the Equity Derivative business. He is currently a member of the board of directors of both the Montreal Exchange and the Canadian Derivatives Clearing Corporation (CDCC) and is a member of the Commodity Futures Advisory Board, a past chairman of the Toronto Futures Exchange and a past member of the S&P/TSX Index Advisory Panel.

Margaret Grottenthaler

Partner, Stikeman Elliott LLP: Partner in charge of legal research and writing. Practice specialization in OTC derivatives and other structured products. Co-author of *The Law of Financial Derivatives in Canada* (Carswell). (LLB (UWO); BCL (Oxon)).

Paul Moore

Vice-Chair of the Ontario Securities Commission since February 2001. Prior to this, he was a senior partner with a major Toronto law firm, where he headed up a derivatives practice group.

Roger Warner

Director, Operations of Canadian Derivatives Clearing Corporation: Mr. Warner has been in his current role since March 2000. Since joining CDCC in 1992, he has held numerous positions within the Corporation including Project Manager for the Year 2000 effort and Director, Information Technology. Prior to 1992, Mr. Warner spent nine years in numerous Information Technology roles at Grafton-Fraser Inc.

Abbreviations

AMF	–	Autorité des Marchés Financiers
ATS	–	alternative trading system
CCP	–	central counterparty
CEA	–	Commodity Exchange Act (United States)
CDCC	–	Canadian Derivatives Clearing Corporation
CF Contracts	–	exchange-traded commodity futures contract and options on them
CFA	–	Commodity Futures Act
CFMA	–	Commodity Futures Modernization Act of 2000 (United States)
CFTC	–	Commodity Futures Trading Commission
CSA	–	Canadian Securities Administrators
DCM	–	Designated Contract market under the CFMA
DCO	–	Designated Clearing Organization under the CFMA
Derivatives-Like Securities	–	hybrid products such as index-linked notes, hedge funds and options on securities
DTF	–	Derivatives Transaction Execution Facility (CFMA)
Exempt MTEF	–	Exempt Multilateral Transaction Execution Facility
FCM	–	Futures Commission Merchant
FIA	–	Futures Industry Association (United States)
IDA	–	Investment Dealers Association of Canada
IESO	–	Independent Electricity System Operator
IOSCO	–	International Organization of Securities Commissions
ISDA	–	International Swaps and Derivatives Association, Inc.
MX	–	Bourse de Montréal Inc.
NGX	–	NGX Group, a subsidiary of the TSX
OEB	–	Ontario Energy Board
OSA	–	Ontario *Securities Act*
OSC	–	Ontario Securities Commission
OTC	–	over-the-counter
OTC contracts	–	derivatives contracts that are neither securities under the OSA or trading on an exchange regulated as a commodities exchange
SEC	–	Securities Exchange Commission (United States)
SRO	–	self-regulatory organization
USA	–	draft Uniform Securities Act published by the CSA

APPENDIX I

News Release
Communiqué

Ontario

Management Board Secretariat
Secrétariat du Conseil de gestion

For Immediate Release
May 26, 2005

ONTARIO LAUNCHES FIRST REVIEW OF COMMODITY FUTURES ACT
Ensures Up-To-Date Capital Markets Legislation

QUEEN'S PARK, ON, May 26 /CNW/ - The McGuinty government is appointing an advisory committee to review Ontario's Commodity Futures Act (CFA), as required by statute, to ensure Ontario benefits from a modern regulatory regime with strong investor confidence and protection.

"It is important to ensure that commodity futures legislation in Ontario is up to date," said Chair of the Management Board of Cabinet Gerry Phillips. The purposes of the act are to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient commodity futures markets and confidence in those markets.

Carol D. Pennycook, Partner at Davies, Ward, Phillips & Vineberg LLP and chair of the Ontario Securities Commission's Commodity Futures Advisory Board, has agreed to chair the committee conducting the first statutory review of the CFA.

"I'm pleased to be part of the process designed to make sure that regulation keeps pace with market evolution and innovation and changes in other jurisdictions," Pennycook said. "The government is taking an important first step in moving forward with updating and modernizing the commodity futures regulatory regime."

The government expects that the review committee will focus on reforms that will strengthen the legislative framework in Ontario and ensure that commodity futures legislation is up to date. The committee has been asked to develop an interim report by March 31, 2006 and to deliver its final report no later than September 30, 2006.

The Minister will table the report in the Legislature, as the act requires that a select or standing committee of the Legislative Assembly be appointed to review the report, hear the opinions of interested persons or companies and make recommendations to the Legislative Assembly regarding amendments to the act.

"We are looking forward to the advisory committee's recommendations," Phillips said. "Maintaining investor confidence in the integrity of our capital markets is vital for maintaining Ontario's competitiveness and commodity futures markets are an important part of our capital markets."

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Ontario

Management Board Secretariat | Secrétariat du Conseil de gestion

May 26, 2005

REVIEW OF ONTARIO'S COMMODITY FUTURES ACT

Background

The Commodity Futures Act (CFA) requires that the Minister appoint, on or before May 31, 2005, an advisory committee to review Ontario's commodity future laws and the legislative needs of the Ontario Securities Commission.

Other legislative requirements include that:

- The Minister shall table the report of the committee in the Legislature; and
- Upon the report being tabled, a select or standing committee of the Legislative Assembly shall be appointed to review the report, hear the opinions of interested persons or companies and make recommendations to the Legislative Assembly regarding amendments to the Act.

This is the first statutory review of the CFA. The Budget Measures Act (Fall) 2004 changed the timing of future reviews of the Securities Act as recommended by SCFEA in October 2004. Consistent changes were made to the CFA to stagger the timing of future Securities Act and CFA reviews.

Members of the advisory committee are:

Chair: Carol Pennycook (Partner, Davies Ward Phillips & Vineberg LLP)
Members: Stephen Elgee (Managing Director, Equity Derivatives Products, BMO Nesbitt Burns)
John Clark (Chair & CEO, JCClark Ltd.)
Margaret Grottenthaler (Partner, Stikeman Elliott LLP)
Paul Moore (Vice Chair, Ontario Securities Commission)
Roger Warner (Director of Operations, Canadian Derivatives Clearing Corporation)

The CFA was introduced in Ontario in 1979, based on legislation in the United States. It was written at a time when the futures markets were focused on agricultural products.

Since then, the market has evolved dramatically due to the introduction of new products and innovations in technology. The CFA has not been reviewed comprehensively since its inception and, as a result, the CFA may not have kept pace with market innovation and evolution, and regulatory changes in other jurisdictions, including the United States. (In 2000, the United States overhauled its commodity futures regime with the introduction of the Commodity Futures Modernization Act.)

The derivatives area is one of the most rapidly expanding components of global capital markets and it is prudent to review whether the CFA, in its current form, provides an appropriate regulatory framework.

Although no commodity futures exchange is currently based in Ontario, most participants in this industry are located in Ontario. In addition, the Toronto Stock Exchange (TSX) has recently acquired the Natural Gas Exchange (NGX), a gas and electricity exchange currently based in Alberta.

A review of the CFA will help maintain and foster strong Ontario participation in Canada's exchange-traded derivatives market.

Background: Definitions

Commodity: Whether in the original or a processed state, any agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel, currency or precious stone or other gem, and any goods, article, service, right or interest, or class thereof, designated as a commodity under the regulations;

Commodity futures contract: A contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

Commodity futures exchange: An association or organization, whether incorporated or unincorporated, operated for the purpose of providing the facilities necessary for the trading of contracts;

Commodity futures option: A right, acquired for a consideration, to assume a long or short position in relation to a commodity futures contract at a specified price and within a specified period of time and any other option of which the subject is a commodity futures contract**;**

Derivative: An instrument, agreement or security, the market price, value or payment obligations of which is derived from, referenced to, or based on an underlying interest, other than a contract as defined for the purposes of the Commodity Futures Act.

Contact:
Manuel Alas-Sevillano
Ministry of Finance
(416) 212-2155
Disponible en français

For more information visit www.gov.on.ca/mbs

1.2 Notices of Hearing

1.2.1 Matterhorn Capital Corp. and Paul Barnard - s. 127

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

AND

IN THE MATTER OF
MATTERHORN CAPITAL CORP.
AND PAUL BARNARD

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the *Securities Act*, at the offices of the Ontario Securities Commission, 20 Queen Street West, 17th Floor Hearing Room on Monday, the 12th day of June, 2006 at 9:00 a.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to section 127 of the *Securities Act*, it is in the public interest for the Commission:

(a) pursuant to s. 127(7), to extend the temporary order made May 31, 2006 until the final disposition of this matter or until the Commission considers appropriate; and

(b) to make such other order as the Commission considers appropriate.

BY REASON OF the allegations of Staff that the above-named do not meet the legal standards for registration in the capital markets in Ontario and such additional reasons as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 31st day of May, 2006.

"Christos Grivas"
Per: John Stevenson
Secretary to the Commission

1.2.2 Bennett Environmental Inc. et al. - s. 127

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

AND

IN THE MATTER OF
BENNETT ENVIRONMENTAL INC., JOHN BENNETT,
RICHARD STERN, ROBERT GRIFFITHS,
AND ALLAN BULCKAERT

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, (the "Act") at the offices of the Commission located at 20 Queen Street West, Toronto, in the Large Hearing Room, located on the 17th Floor, on June 20, 2006, at 9:30 a.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to section 127 of the Act, it is in the public interest for the Commission to make an order approving the Settlement Agreement entered into by Staff of the Commission and Bennett Environmental Inc.

BY REASON OF the allegations set out in the Statement of Allegations of Staff dated May 31, 2006 and such additional allegations as Staff may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 2nd day of June 2006.

"John Stevenson"
Secretary to the Commission

1.2.3 Bennett Environmental Inc. et al. - s. 127

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

AND

IN THE MATTER OF
BENNETT ENVIRONMENTAL INC., JOHN BENNETT,
RICHARD STERN, ROBERT GRIFFITHS,
AND ALLAN BULCKAERT

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, (the "Act") at the offices of the Commission located at 20 Queen Street West, Toronto, in the Large Hearing Room, located on the 17th Floor, on June 20, 2006, at 2:00 p.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to section 127 of the Act, it is in the public interest for the Commission to make an order approving the Settlement Agreement entered into by Staff of the Commission and Allan Bulckaert.

BY REASON OF the allegations set out in the Statement of Allegations of Staff dated May 31, 2006 and such additional allegations as Staff may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 2nd day of June, 2006.

"John Stevenson"
Secretary to the Commission

1.2.4 Bennett Environmental Inc. et al - s. 127

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

AND

IN THE MATTER OF
BENNETT ENVIRONMENTAL INC., JOHN BENNETT,
RICHARD STERN, ROBERT GRIFFITHS, AND
ALLAN BULCKAERT

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") at the Commission's offices, 20 Queen Street West, Toronto, Ontario, in the Large Hearing Room, 17th Floor, commencing on a date to be fixed by the Commission, to consider whether, pursuant to sections 127(1) and 127.1 of the Act, it is in the public interest to make an order that:

(a) Bennett Environmental Inc. submit to a review of its practices and procedures and institute such changes as may be ordered by the Commission;

(b) the respondents John Bennett, Richard Stern and Robert Griffiths cease trading in securities permanently, or for such time as the Commission may direct;

(c) the respondents John Bennett, Richard Stern and Robert Griffiths resign any positions they hold as a director or officer of any issuer;

(d) the respondents John Bennett, Richard Stern and Robert Griffiths be prohibited from becoming or acting as a director or officer of any issuer, permanently or for such period of time as the Commission may direct;

(e) all of the respondents pay an administrative penalty of not more than $1 million dollars for each failure to comply with Ontario securities law;

(f) the respondents John Bennett, Richard Stern and Robert Griffiths be reprimanded;

(g) the respondents John Bennett, Richard Stern and Robert Griffiths pay the costs of Staff's investigation and the costs of

and related to this proceeding incurred by or on behalf of the Commission; and

(h) such further orders as the Commission deems appropriate.

BY REASON OF the allegations set out in the Statement of Allegations of Staff dated May 31, 2006, and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 2nd day of June, 2006.

"John Stevenson"
Secretary to the Commission

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

AND

IN THE MATTER OF
BENNETT ENVIRONMENTAL INC., JOHN BENNETT, RICHARD STERN, ROBERT GRIFFITHS, AND ALLAN BULCKAERT

STATEMENT OF ALLEGATIONS
OF STAFF OF
THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission make the following allegations:

I. THE RESPONDENTS

1. Bennett Environmental Inc. ("BEI") is a Canadian company with its head office in Oakville, Ontario. BEI is a reporting issuer in Ontario, Quebec and British Columbia. Shares of BEI trade on the TSX and the American Stock Exchange in the United States. BEI provides thermal treatment services for the remediation of contaminated soil.

2. At all relevant times, John Bennett was Chairman of the Board of BEI and was the Chief Executive Officer ("CEO") of BEI until February 18, 2004. John Bennett was the founder of BEI and one of two members of its Disclosure Committee, which was responsible for ensuring that BEI complied with its disclosure obligations under the Ontario *Securities Act*.

3. At all relevant times, Richard Stern was the Chief Financial Officer ("CFO") of BEI. Stern was the other member of BEI's Disclosure Committee.

4. At all relevant times, Robert Griffiths headed BEI's U.S. Sales division, first as Director of Sales, U.S.A. and then, as of approximately June, 2003, as Vice-President, U.S. Sales.

5. Allan Bulckaert became the President and CEO of BEI on February 18, 2004.

II. FACTS

A. The Phase III Contract is announced

6. On June 2, 2003, BEI announced that it had been awarded a contract to treat contaminated soil from Phase III of the Federal Creosote Superfund Site in New Jersey (the "Phase III Contract"). The Phase III Contract was with Sevenson Environmental Services Inc. ("Sevenson") acting as sub-contractor for the United States Army Corps of Engineers ("the Corps"). In its news release, BEI described the Phase III Contract as

being for an "estimated 300,000 tons of soil" and "valued at $200 million Cdn., the largest in the Company's history".

7. In the June 2, 2003 news release, BEI emphasized the significance of the Phase III Contract, stating that "[s]hipments from three different locations on the site should start within the next few days, and continue until the completion of Phase III which is anticipated by the end of 2005". In the news release, John Bennett is quoted as stating that:

   [t]his, together with previously announced contracts, ensures that we will have a very successful year in 2003 and beyond in terms of meeting our financial and operational goals….[w]inning this contract…provides a good base load of materials for our proposed new soil treatment facility in Belledune, New Brunswick which is scheduled to be completed by the end of this year."

8. BEI did not disclose that the Phase III Contract was an "Indefinite Delivery/Indefinite Quantity" ("ID/IQ") contract, which means that the actual amount of soil to be treated under the contract was uncertain, as was the timing of any shipment of soil.

B. BEI is advised that there has been a protest of the Phase III Contract

9. Just a few days after issuing its news release of June 2, 2003, BEI was advised that a competitor of BEI had protested the awarding of the Phase III Contract to BEI. At the request of Sevenson, BEI agreed to a 30 day extension of the previous Phase II Contract to treat material that would have been treated under the Phase III Contract. At this point, BEI was sufficiently concerned about the status of the Phase III Contract that it had legal counsel review the matter.

10. BEI did not disclose the fact that a competitor had protested the awarding of the Phase III Contract or the fact that Sevenson had requested an extension to the previous Phase II Contract.

11. BEI released its Q2 2003 results by news release dated July 24, 2003 and held a conference call for investors on July 25, 2003. In that news release and during that conference call, BEI continued to report the full 300,000 tons of soil to be treated under the Phase III Contract (minus any nominal amounts that had been shipped) as part of its contract "backlog", which represents contracts that have been signed but have not yet been fully performed.

C. BEI is advised by Sevenson that the Corps has withdrawn its consent to the Phase III Contract

12. On August 5, 2003, Sevenson advised BEI that the Request for Proposal ("RFP") that had given rise to the Phase III Contract was going to be amended such that multiple ID/IQ contracts were being awarded with a maximum shared quantity of 100,000 tons of soil and a minimum quantity of 1000 tons.

13. BEI sent a letter to Sevenson protesting the amendment to the RFP, noting that Sevenson was essentially re-bidding the work that had been awarded to BEI under the Phase III Contract. In response, Sevenson wrote to BEI on August 6, 2003 and advised that,

    [t]he amended RFP was issued as a result of the **government's withdrawal of its consent to the Bennett contract** with direction to Sevenson to obtain clarifications concerning, and to perform a re-evaluation of, the proposals received in response to the original RFP. Those clarifications and the re-evaluation resulted in the government's direction to Sevenson to proceed with the amended RFP. (emphasis added)

14. Moreover, Sevenson advised BEI that BEI's characterization of the Phase III Contract (as set out in the June 2, 2003 news release) was incorrect, stating that,

    [a]s you well know, the contract guarantees a minimum quantity of 500 tons. A prudent person could not value such contract as having the value you ascribe to it using the maximum quantity. That contract also contains a termination for convenience clause.

15. On August 14, 2003, Sevenson advised BEI that instead of amending the original RFP, it would proceed by way of an Invitation for Bids ("IFB") which would be delivered on or about August 27, 2003.

16. Throughout this time, BEI did not disclose that the Corps had withdrawn its consent to the Phase III Contract. It did not disclose that Sevenson had told BEI that the Phase III Contract was going to be re-bid and that the maximum shared quantity of soil to be treated was going to be reduced to 100,000 tons.

17. In addition, BEI continued to include the full 300,000 tons of soil under the Phase III Contract (minus any nominal amounts that had been shipped) as part of its disclosed contract backlog, including in a news release dated August 8, 2003.

D. The Corps confirms to BEI that it has withdrawn its consent to the Phase III Contract

18. Although it had not yet received the new IFB, BEI was concerned that it appeared to be replacing the Phase III Contract. BEI's legal counsel wrote to the Corps on August 25, 2003 and objected on the grounds that the IFB was "essentially a re-solicitation to submit bids for a contract that Bennett has already been awarded".

19. By letter dated September 4, 2003, the Corps advised BEI of the following facts:

- It had withdrawn its consent to the Phase III Contract;
- The Phase III Contract only guaranteed a minimum of 500 tons of soil;
- The Corps had issued a limited consent for up to 10,000 tons of soil, which would exceed the minimum guarantee under the Phase III Contract;
- As a result of design revisions to the site in New Jersey, the maximum amount of soil to be treated had been reduced from 300,000 tons of soil to 100,000 tons of soil. The new IFB would be awarding up to three sub-contracts to treat a minimum of 1000 tons of soil and a total maximum of 100,000 tons of soil.

20. BEI and the Corps exchanged correspondence throughout the month of September, 2003, in which the Corps reiterated the above facts to BEI.

21. Throughout this time, BEI still did not disclose that the Corps had withdrawn its consent to the Phase III Contract. It did not disclose that the Phase III Contract was going to be re-bid and that the maximum shared quantity of soil to be treated had been reduced to 100,000 tons.

22. In addition, BEI continued to include the full 300,000 tons of soil under the Phase III Contract (minus any nominal amounts that had been shipped) as part of its disclosed contract backlog, including in a conference call for investors on October 23, 2006.

E. BEI is notified that it is the low bidder on the 100,000 ton contract

23. Although there were several delays, on or about October 23, 2003, Sevenson sent BEI an IFB for the treatment of a minimum of 1000 and maximum of 100,000 tons of soil.

24. After some minor amendments to the IFB, BEI submitted a bid in response to it and on December 11, 2003, Sevenson advised BEI that it was the low bidder in response to the IFB (the "Second Contract").

25. BEI did not disclose that it was the low bidder for the Second Contract.

26. Moreover, BEI continued to include the full 300,000 tons of soil that was originally going to be treated under the Phase III Contract (minus any nominal amounts that had been shipped) as part of its disclosed contract backlog, including in a news release dated November 6, 2003.

F. BEI is awarded the Second Contract

27. On March 30, 2004, Sevenson advised BEI that it had been awarded the Second Contract and Sevenson would be sending a purchase order to BEI pursuant to that Second Contract.

28. By May, 2004, Bulckaert had not been informed about the dispute regarding the Phase III Contract and had not been provided with copies of any of the above-noted correspondence. Prior to executing the purchase order under the Second Contract, Bulckaert wrote to Sevenson on May 13, 2004 requesting clarification of the status of the Phase III Contract and its relationship to the Second Contract because it appeared to be for the same scope of work.

29. BEI did not receive a response to its enquiries, but on June 3, 2004 BEI signed the purchase order pursuant to the Second Contract, although BEI maintained it was not waiving its rights under the Phase III Contract.

30. BEI did not disclose that it had been awarded the Second Contract or that it had executed the purchase order under it.

31. Bulckaert first received a copy of the September 4 correspondence from the Corps on June 9, 2004.

32. That same day BEI, through its legal counsel, wrote directly to the Corps once again requesting clarification of the status of the Phase III Contract and its relationship to the Second Contract.

33. By letter to BEI dated July 15, 2004, the Corps reiterated its position which it had previously detailed in its letter of September 4, 2003.

34. Throughout this time, BEI continued to include the full 300,000 tons of soil to be treated under the Phase III Contract (minus any nominal amounts that had been shipped) as part of its disclosed contract backlog, including in news releases dated March 29, 2004 and April 29, 2004, its Management Discussion and Analysis as at April 28, 2004, its Annual Report dated May 13, 2004

and its Annual Information Form filed in May, 2004.

G. BEI discloses the Phase III Contract dispute

35. By news release dated July 22, 2004, BEI finally announced the existence of the Phase III Contract dispute. BEI revealed that a competitor had protested the awarding of the Phase III Contract to BEI and that the Corps had withdrawn its consent to the Phase III Contract. BEI stated that it had been attempting to ascertain the status of the Phase III Contract since August, 2003. BEI disclosed that it had only treated 7,000 tons of soil under the Phase III Contract and that any future shipments under it were "highly unlikely".

36. In that news release, BEI also disclosed the Second Contract to treat some of the soil that was originally going to be treated under the Phase III Contract. BEI acknowledged that the Second Contract only guaranteed a minimum shipment of 1000 tons.

37. After the news release of July 22, 2004, the price of BEI shares fell dramatically – falling almost 50% within the next 10 days.

III. CONDUCT CONTRARY TO ONTARIO SECURITES LAW AND THE PUBLIC INTEREST

A. The above information about the Phase III Contract was material and should have been disclosed forthwith

38. The existence of the dispute over the Phase III Contract, including whether there would be any further shipments under it and whether it was being replaced by the much smaller Second Contract, was a material change in the affairs of BEI within the meaning of the *Securities Act*. BEI failed to disclose that material change forthwith, contrary to s. 75 of the *Securities Act* and contrary to the public interest.

39. Each of John Bennett, Stern and Griffiths authorized, permitted or acquiesced in BEI's failure to disclose the above material change forthwith, thereby committing an offence pursuant to s. 122(3) of the *Securities Act* and acting contrary to the public interest.

40. By May 13, 2004, Bulckaert was aware that there were concerns about whether the Second Contract was intended to replace the Phase III Contract, although he was not aware of the position taken by the Corps on September 4, 2003 until June 9, 2004. He received confirmation that the Corps was maintaining its position on July 15, 2004. From that date, Bulckaert authorized, permitted or acquiesced in BEI's continuing failure to disclose the material change forthwith and thereby committed an offence pursuant to s. 122(3) of the *Securities Act* and acted contrary to the public interest.

B. BEI's inclusion of the Phase III Contract in its disclosed contract backlog was misleading or untrue

41. BEI's confirmation of the volume to be treated under the Phase III Contract in its public disclosure, including in its press releases of July 24, 2003, August 8, 2003, November 6, 2003, March 29, 2004 and April 29, 2004 and in its Management Discussion and Analysis as at April 28, 2004, its Annual Report dated May 13, 2004 and its Annual Information Form filed in May, 2004 was misleading or untrue contrary to s. 122(1)(b) of the *Securities Act* and/or contrary to the public interest.

42. BEI's inclusion of the volume to be treated under the Phase III Contract as part of its disclosed contract backlog was also misleading or untrue and contrary to the public interest.

43. Each of John Bennett, Stern and Griffiths authorized, permitted or acquiesced in the above misleading or untrue disclosure by BEI, thereby committing an offence pursuant to s. 122(3) of the *Securities Act* and acting contrary to the public interest.

C. Insiders of BEI traded while in possession of material undisclosed information

44. The existence of the dispute over the Phase III Contract, including whether there would be any further shipments under it and whether it was being replaced by the much smaller Second Contract, was also a material fact within the meaning of the *Securities Act* that had not been generally disclosed.

45. At the material time, Stern was a person in a special relationship with BEI. Between August 28, 2003 and June 7, 2004, Stern sold a total of 72,650 shares of BEI in his own accounts and 8500 shares in accounts in his wife's name, for a total of 81,150 shares, all of which were sold while Stern was in possession of some or all of the above material facts and material changes that had not been generally disclosed, contrary to s. 76 of the *Securities Act* resulting in a loss avoided of approximately $1,208.795.00.

46. At the material time, Griffiths was a person in a special relationship with BEI. Between September 9, 2003 and December 12, 2003, Griffiths sold a total of 45,600 shares of BEI while in possession of some or all of the above material facts and material changes that had not been generally disclosed, contrary to s. 76 of the *Securities Act*

resulting in a loss avoided of approximately $728,685.00

47. Griffiths also failed to report several of the above trades to the Ontario Securities Commission, contrary to s. 107(2) of the *Securities Act*.

48. At the material time, Bulckaert was a person in a special relationship with BEI. Between June 3, 2004 and June 7, 2004, Bulckaert sold a total of 5900 shares of BEI while in possession of some or all of the above material facts that had not been generally disclosed, contrary to s. 76 of the *Securities Act* resulting in a loss avoided of approximately $64,165.00.

D. John Bennett provided misleading evidence to Staff

49. In the course of Staff's investigation of this matter, John Bennett made statements to Staff that were misleading or untrue by claiming that he did not have full knowledge of the Phase III Contract dispute, including claiming that he had not received the September 4 letter from the Corps and had not been made aware of its contents or the issues it raised regarding the Phase III Contract. In misleading Staff in this manner, John Bennett committed an offence contrary to s. 122(1) of the *Securities Act* and acted contrary to the public interest.

50. Such further and other allegations as Staff may advise and the Ontario Securities Commission may permit.

DATED at Toronto this 31 day of May, 2006.

1.3 News Releases

1.3.1 OSC Lays Charges Against Maitland Capital Ltd. and Others

FOR IMMEDIATE RELEASE
June 1, 2006

OSC LAYS CHARGES AGAINST
MAITLAND CAPITAL AND OTHERS

TORONTO – The Ontario Securities Commission (OSC) has laid charges against Maitland Capital Ltd. ("Maitland"), Abraham Herbert Grossman, and Hanoch Ulfan in the Ontario Court of Justice on May 19, 2006.

A copy of the charges filed against Maitland, Abraham Herbert Grossman, and Hanoch Ulfan is available at **www.osc.gov.on.ca**.

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

Mark Gidwani
Communications Officer
416-593-2315

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

1.3.2 OSC Appoints Peggy Dowdall-Logie as Executive Director and CAO

FOR IMMEDIATE RELEASE
June 1, 2006

OSC APPOINTS PEGGY DOWDALL-LOGIE AS EXECUTIVE DIRECTOR AND CAO

TORONTO – Ontario Securities Commission (OSC) Chair David Wilson announced today the appointment of Peggy Dowdall-Logie as OSC Executive Director and Chief Administrative Officer, effective June 26, 2006.

Ms. Dowdall-Logie brings extensive experience in the financial services, regulatory and professional consulting sectors to her role at the OSC. She joins the OSC from RBC Financial Group, where she has held various roles, including Global Head, Retail Securities Compliance and Personal Trust.

"I am confident that Peggy will bring her considerable regulatory and operations experience to the role of Executive Director to support the successful implementation of our strategic priorities," said Mr. Wilson.

Ms. Dowdall-Logie succeeds Charlie Macfarlane, who retires on June 2, 2006.

For more details, see Mr. Wilson's announcement to OSC staff on www.osc.gov.on.ca

For Media Inquiries: Wendy Dey
Director, Communications
and Public Affairs
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Mark Gidwani
Communications Officer
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1-877-785-1555 (Toll Free)

1.4 Notices from the Office of the Secretary

1.4.1 Matterhorn Capital Corp. and Paul Barnard

FOR IMMEDIATE RELEASE
June 1, 2006

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

AND

IN THE MATTER OF
MATTERHORN CAPITAL CORP. AND
PAUL BARNARD

TORONTO – The Commission issued a Temporary Order pursuant to Section 127 on May 31, 2006 in the above noted matter.

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

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Mark Gidwani
Communications Officer
416-593-2315

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1.4.2 Matterhorn Capital Corp. and Paul Barnard

FOR IMMEDIATE RELEASE
June 2, 2006

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

AND

IN THE MATTER OF
MATTERHORN CAPITAL CORP. AND
PAUL BARNARD

TORONTO – On May 31, 2006, the Commission issued a Notice of Hearing in the above noted matter scheduling a hearing on June 12, 2006 at 9:00 a.m. in the above noted matter.

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

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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and Public Affairs
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Communications Officer
416-593-2315

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1.4.3 Bennett Environmental Inc. et al.

FOR IMMEDIATE RELEASE
June 2, 2006

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

AND

IN THE MATTER OF
BENNETT ENVIROMENTAL INC., JOHN BENNETT,
RICHARD STERN, ROBERT GRIFFITHS AND
ALLAN BULCKAERT

TORONTO – A Notice of Hearing was issued today by the Commission for a hearing to consider the allegations of Staff of the Commission to commence on a date to be fixed by the Commission. The Commission also issued today Notices of Hearing to consider settlement agreements entered into by Staff of the Commission and Bennett Environmental Inc. and, Allan Bulckaert to be heard on June 20, 2006 at 9:30 a.m. and 2:00 p.m. respectively.

A copy of the Notice of Hearing and Statement of Allegations of Staff of the Commission, a Notice of Hearing with respect to the Settlement Agreement between Staff of the Commission and Bennett Environmental Inc., and a Notice of Hearing with respect to the Settlement Agreement between Staff of the Commission and Allan Bulckaert are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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and Public Affairs
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Park Hill Group LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

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

Rules Cited

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

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

AND

IN THE MATTER OF
PARK HILL GROUP LLC

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 Park Hill Group LLC (the Applicant) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (MI 31-102) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (Rule 13-502) in respect of this discretionary relief;

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

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

1. The Applicant is organized as a limited liability company under the laws of the State of Delaware in the United States of America. The Applicant is not a reporting issuer in any province or territory of Canada. The Applicant is seeking registration under the Act as an international dealer. The head office of the Applicant is located in San Francisco, California.

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

3. The Applicant anticipates encountering difficulties in setting up its own Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it does not intend to register in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it is seeking 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 other Canadian 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.

May 31, 2006

"David M. Gilkes"

2.1.2 ThinkEquity Partners LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

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

Rules Cited

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

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

AND

IN THE MATTER OF
THINKEQUITY PARTNERS LLC

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and Section 6.1 of Ontario Securities Commission Rule 13-502 Fees)

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

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

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

1. The Applicant is organized as a limited liability company under the laws of the State of Delaware in the United States of America. The Applicant is not a reporting issuer in any province or territory of Canada. The Applicant is seeking registration under the Act as an international dealer. The head office of the Applicant is located in San Francisco, California.

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

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

4. The Applicant confirms that it does not intend to register in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it is seeking 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 (10) 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 other Canadian 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 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.

May 31, 2006

“David M. Gilkes”

2.1.3 Altus Investors Management Partnership - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – application by a management partnership holding a 20% interest in a limited partnership indirectly controlled by publicly traded income fund for relief from registration and prospectus requirements in connection with certain trades in or issuances of management partnership units to Qualified Persons - relief requested to reduce amount of redemptions and trades required to achieve desired result of directly permitting issuances of MP units to new Qualified Persons and trades between Qualified Persons - relief granted subject to certain terms and conditions, including resale restrictions and the requirement that documentation relating to the management partnership be provided to new partners.

Applicable Legislative Provisions

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

June 1, 2006

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 YUKON TERRITORY, THE NORTHWEST TERRITORIES AND NUNAVUT
(THE "JURISDICTIONS")

AND

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

AND

IN THE MATTER OF
ALTUS INVESTORS MANAGEMENT PARTNERSHIP
(THE "PARTNERSHIP")

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 Partnership for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for a decision that the issue and trade of units of the Partnership ("**MP Units**") to and among Qualified Persons (as defined below) be exempt from the dealer registration and prospectus requirements (the "**Requested Relief**"), subject to certain terms and conditions.

Under the Mutual Reliance Review System for Exemptive Relief Applications

(a) the Ontario Securities Commission is the principal regulator for the 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

The decision is based on the following facts represented by the Partnership.

1. Altus Group Income Fund (the "**Fund**") is a trust established under and governed by the laws of the Province of Ontario. The Fund completed an initial public offering of its units on May 19, 2005 pursuant to a prospectus dated May 11, 2005 (the "**Prospectus**").

2. Altus Group Limited Partnership ("**Altus LP**") is a limited partnership established under and governed by the laws of the Province of Manitoba. Altus LP has two classes of units outstanding, which are held as follows:

   (a) 100% of the outstanding Class A Limited Partnership Units ("**Class A LP Units**"), representing approximately 70% of the outstanding capital of Altus LP, are held indirectly by the Fund;

   (b) approximately 67% of the outstanding Class B Limited Partnership Units ("**Class B LP Units**"), representing approximately 20% of the outstanding capital of Altus LP, are held by the Partnership; and

   (c) approximately 33% of the outstanding Class B LP Units, representing approximately 10% of the outstanding capital of Altus LP, are held by persons ("**Previous Owners**") who were the previous owners of businesses which, upon completion of the initial public offering of the Fund, were acquired indirectly by Altus LP and amalgamated to form Altus Group Limited.

3. Class A LP Units and Class B LP Units have economic rights that are equivalent in all respects except that Class B LP Units are indirectly exchangeable into units of the Fund and special voting units of the Fund have been granted on a

one-for-one basis to the holders of Class B LP Units. Also, distributions on the Class B LP Units are subordinate to distributions on the Class A LP Units for a fixed period of time not to expire before December 31, 2007 (in the case of the Previous Owners) and December 31, 2010 (in the case of the Partnership).

4. Altus Group Limited is a corporation formed under the laws of the Province of Ontario and is the successor entity following the amalgamation of businesses previously known as The Altus Group, The Helyar Group and Derbyshire Viceroy. All of its outstanding common shares are held by Altus LP.

5. The Prospectus describes the Fund, Altus LP, Altus Group Limited and the Partnership. It also describes the partnership agreement of Altus LP (the "**Altus LP Partnership Agreement**") and the exchange agreement (the "**Exchange Agreement**") among the Fund, Altus LP, the Partnership and the Previous Owners, among others, which sets out the terms of certain exchange rights granted to holders of Class B LP Units, including the Partnership.

6. The Partnership is a general partnership formed under the laws of the Province of Ontario on May 19, 2005. The Partnership is authorized to issue an unlimited number of one class of units designated as "Management Partnership Units" ("**MP Units**"). Currently, holders of MP Units ("**Partners**") are the Previous Owners and other employees of Altus Group Limited. There are approximately 140 Partners.

7. The Fund carries on the business of providing professional consulting and advisory services to the commercial and residential markets primarily in Canada to be carried on indirectly by the Fund and any future lines of business that the management committee of Altus LP decides to offer (the "**Business**").

8. The employees of Altus LP and its related entities, including Altus Group Limited, are engaged in carrying on the Business and are indirectly employed in furtherance of the interests of the Fund.

9. The Partnership Agreement states that it is intended that the Partners will be restricted to active employees of the Business or related entities of such active employees (being "**Qualified Persons**"). "Qualified Persons" means:

   (a) active employees of the Business;

   (b) corporations (i) all of the shares of which are directly or indirectly owned or controlled by an active employee or members of his or her family or by a Family Trust (as defined below) of such active employee, (ii) which are controlled by such active employee, and (iii) which are not non-residents of Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder;

   (c) family trusts, the sole beneficiaries of which are and continue to be any one or more of an active employee, his or her spouse, estate or issue, or the estate of any of them; and

   (d) Carey Anne Yeoman, Maggie Yeoman and Sarah Yeoman (each of whom is a Previous Owner and is a child of an active employee).

10. Transfers of MP Units are prohibited except to other Qualified Persons. If, at any time, a Partner's employment by Altus Group Limited is terminated by reason of his or her death, disability, retirement, voluntary resignation or termination with or without cause, such Partner must offer to sell all of his or her MP Units to other Qualified Persons.

11. Through their MP Units, Partners hold an interest in Altus LP, which in turn controls the Business, the Partners' employer.

12. The Partnership Agreement restricts the business of the Partnership to the holding of an interest in Altus LP, which engages only in the Business, including owning 100% of Altus Group Limited. It is closely related to Altus LP and managed by similar groups of people. The Management Committee of the Partnership is the same as that of Altus LP (except that the General Counsel of Altus LP also serves on the Management Committee of Altus LP) and many of the same individuals are directors of Altus Group General Partner Corporation (the general partner of Altus LP and a wholly-owned subsidiary of the Fund) and Altus Group Limited.

13. The Partnership provides a mechanism to incentivize employees critical to the success of the Business and, indirectly, Altus LP and the Fund. Its purpose is to provide a mechanism by which employees benefit from their efforts in building and adding value to the Business.

14. The economic success of the Business generally will be measured by the distributions declared by Altus LP. Altus LP pays these distributions to all of its unitholders (although some have agreed to subordinate their right to distributions for the benefit of the Fund).

15. Distributions paid in respect of the Class B LP Units are paid directly to holders thereof, including the Partnership. Employees of Altus LP who are Partners receive the benefit of these distributions through their MP Units, which represent a right to receive distributions of the Partnership.

16. To the extent Altus LP is able to increase distributions based on the success of the Business, all holders of an indirect interest in Altus LP, including employees who are Partners, will benefit from the increased distributions.

17. In addition to permitting transfers of MP Units to other employees of the Business, the Partnership Agreement provides that each year up to 125,000 MP Units may be transferred to Qualified Persons who are not yet Partners. This mechanism ensures the continuous holding of 20% (calculated at the time of the Fund's initial public offering) of the business of the Fund by persons actively involved in such business.

18. Participation in the Partnership is voluntary and participation does not and will not equate to an assurance of future employment.

19. The Partnership is not and has no intention of becoming a reporting issuer in the Province of Ontario or in any other province or territory of Canada.

20. As the MP Units are not transferable, except as described above, no market has developed or will develop for the MP Units.

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) Prior to the issuance of or trade in any MP Units to a Qualified Person, the Partnership will deliver to such Qualified Person:

  (i) a copy of the Partnership Agreement,

  (ii) a description of the Partnership found in the Prospectus or then current annual information form of the Fund,

  (iii) a copy of the Altus LP Partnership Agreement, and

  (iv) a copy of the Exchange Agreement;

(b) The Partnership holds units of Altus LP equal to at least 20% of the outstanding capital of Altus LP on the date of closing of the initial public offering of the Fund; and

(c) The first trade in an MP Unit by a person or company who acquires the MP Unit under this Decision shall be deemed to be a distribution or a primary distribution to the public.

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

"Paul K. Bates"
Commissioner
Ontario Securities Commission

2.1.4 D&D Securities Company and Dominick & Dominick Securities Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Multilateral Instrument 33-109 Registration Information (**MI 33-109**) – relief from certain filing requirements of MI 33-109 in connection with a bulk transfer of business locations and registered and non-registered individuals under an internal reorganization.

Applicable Rule

Multilateral Instrument 33-109 Registration Information.

June 1, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
D & D SECURITIES COMPANY

AND

DOMINICK & DOMINICK SECURITIES INC.

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of British Columbia, Alberta and Ontario (the **Jurisdictions**) has received an application from D&D Securities Company (the **Company**) and Dominick & Dominick Securities Inc. (**DDSI**, together with the Company, the **Filers**) for a decision pursuant to Part 7 of Multilateral Instrument 33-109 *Registration Information* (**MI 33-109**) exempting the Filers from MI 33-109 so as to permit the Company to effect a bulk transfer, as referred to in Section 3.1 of the Companion Policy to MI 33-109 (the **Companion Policy**), of the business locations and individuals (the **Representatives**) that are associated on the National Registration Database (**NRD**) with DDSI.

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

(a) the Ontario Securities Commission 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

1. DDSI was incorporated under the laws of the Province of Ontario in 1968 and continues to be governed by the laws of the Province of Ontario with its registered and head office located in Toronto, Ontario.

2. DDSI carries on business as a broker and investment dealer in the provinces of Alberta, British Columbia and Ontario (the **Business**).

3. DDSI is a member of the Investment Dealers Association of Canada (the **IDA**) and is currently registered as an Investment Dealer (equities & options) in each of Alberta, British Columbia and Ontario.

4. DDSI has approximately 22 Representatives, including seven officers and directors, registered in one or more of the Jurisdictions.

5. The Company is a newly-incorporated Nova Scotia unlimited liability company governed by the laws of the Province of Nova Scotia and is a wholly-owned subsidiary of DDSI.

6. The Company has applied for registration as an investment dealer in each of the Jurisdictions and has submitted an application for membership with the IDA.

7. DDSI proposes to transfer substantially all of the Business to the Company, following which the Company expects to carry on the Business under the name “D&D Securities Company” (the **Proposed Reorganization**). As consideration for the transfer of the Business, the Company will issue equity to DDSI and assume the liabilities of DDSI.

8. In accordance with the terms of the Proposed Reorganization, each Representative will be transferred to the Company under the same registration category(ies) in which s/he is currently registered on NRD with DDSI.

9. The Company and DDSI wish to complete the Proposed Reorganization, including the bulk transfer of Representatives and the business location, forthwith after receiving applicable regulatory approval of the Proposed Reorganization.

10. It would be difficult to transfer each of the Representatives to the Company as per the requirements set out in MI 33-109 given the multiple jurisdictions in which the Representatives are currently registered. Moreover, it is imperative that the transfer of the Representatives occur on the same date, in order to ensure that there is no break in registration.

11. The Proposed Reorganization is not contrary to the public interest and will have no negative consequences on the ability of the Company to comply with all applicable regulatory requirements or its ability to satisfy any of its obligations to clients of DDSI.

Decision

Each of the Decision Makers is satisfied that the tests contained in MI 33-109 that provide the Decision Maker with the jurisdiction to make the Decision has been met;

The decision of the Decision Makers pursuant to MI 33-109 is that the following requirements of MI 33-109 shall not apply to the Filers, in respect of the bulk transfer of individuals and business locations pursuant to the Proposed Reorganization:

(a) the requirement to submit a notice regarding the termination of each employment, partner, or agency relationship under section 4.3 of MI 33-109;

(b) the requirement to submit a notice regarding each individual who ceases to be a non-registered individual under section 5.2 of MI 33-109;

(c) the requirement to submit a registration application for each individual applying to become a registered individual under section 2.2 of MI 33-109;

(d) the requirement to submit a Form 33-109F4 for each non-registered individual under section 3.3 of MI 33-109; and

(e) the requirement under section 3.2 of MI 33-109 to notify the regulator of a change to the business location information in Form 33-109F3,

provided that the Filers make acceptable arrangements with CDS Inc. for the payment of the costs associated with the bulk transfer, as referred to in section 3.1(5) of the Companion Policy and make such payment within 10 business days of the completion of the bulk transfer.

"David M. Gilkes"

2.1.5 NDT Energy Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications and Multilateral Instrument 11-101 Principal Regulator System - National Instrument 51-102, s. 13.1 Continuous Disclosure Obligations - Exemption from requirement in item 14.2 of Form 51-102F5 to include prospectus-level disclosure in an Information Circular - relief from the requirement to provide three years of audited financial statements in an information circular for a business that constitutes a significant probable acquisition, provided that acceptable alternative disclosure is provided - acquired assets are interests in oil and gas properties – financial statements for acquired assets do not exist.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations – ss 8.3, 8.4, 8.5, 8.10, s.13.1 – Form 51-102F5 Information Circular, item 14.2.
OSC Rule 45-501 General Prospectus Requirements, ss. 6.4, 6.6.
CSA Staff Notice 42-303 Prospectus Requirements.
National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency.

Citation: NDT Energy Ltd., 2006 ABASC 1403

May 25, 2006

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

AND

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

AND

IN THE MATTER OF
NDT ENERGY LTD. (NDT)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Makers) in the Jurisdiction has received an application from NDT for a decision under the securities legislation of the Jurisdictions (the Legislation) that NDT be exempt from the requirements of the Legislation to include 3 years of audited financial statements in an information circular for a business that constitutes a significant probable acquisition in respect of a

business for which securities are being distributed (the Requested Relief).

Application of Principal Regulator System

2. Under Multilateral Instrument 11-101 *Principal Regulator System* (MI 11-101) and the Mutual Reliance Review System for Exemption Relief Applications:

   2.1 the Alberta Securities Commission is the principal regulator for NDT;

   2.2 NDT is relying on the exemption in Part 3 of MI 11-101 in British Columbia; and

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

Interpretation

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

Representations

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

   4.1 NDT was incorporated under the laws of the Province of British Columbia and NDT's head office is located in Calgary, Alberta.

   4.2 The common shares of NDT were formally listed and posted for trading on the TSX Venture Exchange but were delisted on January 12, 2006.

   4.3 NDT is a reporting issuer in the provinces of Alberta, British Columbia and Ontario.

   4.4 To its knowledge, NDT is not in default of any of its obligations as a reporting issuer pursuant to the applicable securities legislation in any of the provinces in which it is a reporting issuer.

   4.5 NDT has entered into a plan of arrangement (the Arrangement) dated April 13, 2006 whereby it will be acquiring all of the issued and outstanding common shares of Pegasus Oil & Gas Inc. (Pegasus).

   4.6 As part of the Arrangement, Class A shares of NDT will be issued to shareholders of Pegasus.

   4.7 Pegasus was incorporated under the laws of the Province of Alberta and Pegasus' head office is located in Calgary, Alberta.

   4.8 The common shares of Pegasus are not listed or posted for trading on any stock exchange.

   4.9 Pegasus is not a reporting issuer or its equivalent in any jurisdiction.

   4.10 During its current financial year, Pegasus has entered into a letter of intent to acquire certain oil and gas interests from Daylight Energy Trust (the Daylight Assets).

   4.11 The acquisition of the Daylight Assets constitutes a "significant probable acquisition" for Pegasus under the Legislation.

   4.12 NDT is preparing an information circular (the Information Circular) in connection with a special meeting of its securityholders which is expected to be held on June 7, 2006;

   4.13 The Information Circular will contain, among other things, prospectus level disclosure of the business and affairs of each of NDT and Pegasus and the particulars of the Arrangement;

   4.14 Pursuant to item 14.2 of Form 51-102F5, because the Arrangement is a restructuring transaction under which securities are to be changed, exchanged, issued, or distributed, and because the acquisition of the Daylight Assets is a "significant probable acquisition" under the Legislation, NDT is required to include certain annual and interim financial statement disclosure in the Information Circular in respect of the Arrangement, including annual financial statements for each of the 3 most recently completed financial years of the Daylight Assets (the Daylight Disclosure Requirements).

   4.15 Pursuant to Canadian Securities Administrators (CSA) Staff Notice 42-303 (the Staff Notice), an issuer may submit an application to the provincial and territorial securities regulatory authorities requesting relief from certain requirements of the prospectus rules that are not consistent with National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102).

4.16 Pursuant to the Staff Notice, the CSA have indicated that they are generally prepared to recommend that relief be granted from the significance tests for determining if a business acquisition is significant and the financial statements required to be included in a prospectus on the condition that the issuer applies the significance tests set out in section 8.3 of NI 51-102 and provides the financial statements specified in section 8.5 of NI 51-102.

4.17 The financial statement requirements set forth in section 8.5 of NI 51-102 reference the financial statements described in section 8.4 of NI 51-102. Section 8.10 of NI 51-102 does, however, provide exemptions from certain of the financial statement disclosure requirements set forth in section 8.4 where the acquisition is of an interest in an oil and gas property and the requirements of section 8.10 are met. As a result, an issuer relying on exemptive relief under the Staff Notice may, if they are able to rely on the exemptions contained in section 8.10, provide the alternative disclosure allowed under section 8.10, where applicable, instead of the financial statements set forth in section 8.4.

4.18 The Daylight Assets are interests in oil and gas properties, financial statements do not exist for the Daylight Assets, the acquisition of the Daylight Assets will not constitute a reverse take-over, the Daylight Assets do not constitute a "reportable segment" of the vendor and the disclosure required in a business acquisition report under paragraphs (e) and (f) of section 8.10 of NI 51-102 for the Daylight Assets will be included in the Information Circular.

4.19 NDT proposes to include in the Information Circular certain annual financial information, including audited schedules of revenue, royalties and operating expenses for the three years ending December 31, 2005 for the Daylight Assets, such operating statements being those specified in section 8.10 of NI 51-102 and being in excess of that required pursuant to section 8.4 of NI 51-102. (collectively, with the disclosure required in a business acquisition report under paragraphs (e) and (f) of section 8.10, the Alternative Disclosure).

4.20 The Alternative Disclosure will comply with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

Decision

5. The Decision Makers being satisfied that they have jurisdiction to make this decision and that the relevant test contained under the Legislation has been met, the Requested Relief is granted and the Daylight Disclosure Requirements shall not apply to NDT, provided that NDT include the Alternative Disclosure in the Information Circular.

"Mavis Legg", CA
Manager, Corporate Finance
Alberta Securities Commission

2.1.6 Les Mines Opinaca Ltée formerly Virginia Gold Mines Inc. - 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.

May 30, 2006

Cassels Brock & Blackwell
2100 Scotia Plaza,
40 King Street West
Toronto, Ontario
M5H 3C2

Attention : Mrs. Jennifer Traub

Dear Madam,

Re: Les Mines Opinaca Ltée formerly Virginia Gold Mines Inc. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Ontario and Québec (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 Regulation entitled 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 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.

"Louis Auger"
Le Chef du Service du financement des sociétés,
Autorité des marchés financiers

2.1.7 Fairmont Hotels & Resorts Inc. - 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.

May 29, 2006

McCarthy Tetrault LLP
Box 48, Suite 4700
Toronto-Dominion Bank Tower
66 Wellington Street West
Toronto, ON M5K 1E6

Attention: Lara Nathans

Dear Ms. Nathans,

Re: Fairmont Hotels & Resorts Inc. (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, 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,

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

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

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.8 Teck Cominco Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – An issuer previously issued exchangeable debentures. The issuer could issue freely-tradeable shares directly to the holders of the exchangeable debentures upon their exchange. For certainty of tax treatment, the issuer and a financial institution have agreed to an arrangement whereby the financial institution will facilitate the exchange of exchangeable debentures. The financial institution acquired shares of the issuer under an exemption from the prospectus requirement. The financial institution intends to use the shares to purchase the exchangeable debentures from the holders thereof. Without relief, the shares traded to the holders of the exchangeable debentures will be subject to a hold period. Relief granted from the prospectus requirement for the first trades in the shares by the financial institution to the holders of the exchangeable debentures.

Applicable Ontario Statutory Provisions

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

May 11, 2006

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

AND

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

AND

IN THE MATTER OF
TECK COMINCO LIMITED (THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption from the prospectus requirement of the Legislation in respect of first trades of the Filer's Class B subordinate voting shares (Class B Shares) by RBC Dominion Securities Inc. (RBC) to holders of Debentures (as defined below) in connection with the Arrangement (defined below) (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

3. The decision is based on the following facts represented by the Filer:

1. the Filer is continued under the *Canada Business Corporations Act* with its head office in British Columbia;

2. the Filer is a reporting issuer in each of the Jurisdictions and is not in default of its obligations under the Legislation;

3. the Filer's authorized capital consists of an unlimited number of

(a) Class A common shares, of which 4,673,453 were outstanding as at March 1, 2006,

(b) Class B Shares, of which 198,892,396 were outstanding as at March 1, 2006, and

(c) preference shares, of which 790,000 Series 1 and 550,000 Series 2 preference shares were outstanding as at March 1, 2006;

4. the Filer issued $150 million 25-year exchangeable debentures in April 1999 under private placements (the Debentures);

5. the Debentures are exchangeable by the holder or redeemable by the Filer at any time;

6. under the indenture governing the Debentures, the Filer has the right

   (a) to pay cash or issue Class B Shares to satisfy the repayment obligations under the Debentures, and

   (b) to designate a purchaser to acquire Debentures tendered for exchange;

7. the Filer believes most of the holders of the Debentures would prefer to exchange their Debentures for Class B Shares, rather than be paid cash for the Debentures;

8. the Filer would prefer to pay cash for the Debentures to obtain certainty of tax treatment and issue Class B Shares to fund the cash payment;

9. the Filer and RBC have devised an arrangement to facilitate holders of the Debentures receiving Class B Shares, while preserving the Filer's ability to pay cash for the Debentures, by completing the following steps (the Arrangement):

   (a) RBC and the Filer will enter into an agreement under which RBC will agree to act as the designated purchaser for the Debentures, and to subscribe for enough Class B Shares to satisfy the purchase price for the Debentures tendered for exchange,

   (b) when a holder of a Debenture exercises its exchange right by depositing his or her Debenture, the Filer will elect to satisfy the repayment obligations under the Debenture by delivering Class B Shares, and will designate RBC as the designated purchaser,

   (c) within 28 Trading Days (as defined in the indenture governing the Debentures), RBC will subscribe for Class B Shares from the Filer for cash,

   (d) the Filer will issue Class B Shares to RBC relying on the accredited investor exemption in National Instrument 45-106 *Prospectus and Registration Exemptions*,

   (e) RBC will deliver the Class B Shares, plus cash for accrued but unpaid interest and in lieu of fractional Class B Shares, to the depositing Debenture holder as the purchase price of the Debenture, and so will become the holder of that Debenture, and

   (f) RBC will have the right, but not the obligation, to tender the Debenture to the Filer and, if it tenders the Debenture, will receive the cash amount determined under the indenture governing the Debentures and not Class B Shares;

10. RBC will not be directly compensated by the Filer, but will subscribe for Class B Shares at a negotiated discount to their market value calculated in accordance with the indenture governing the Debentures;

11. the Class B Shares issued to RBC under prospectus exemptions are subject to a hold period under National Instrument 45-102 *Resale of Securities*; and

12. the Debentures are no longer subject to a hold period.

Decision

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

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

"Martin Eady, CA"
Director
British Columbia Securities Commission

2.1.9 CIBC Asset Management Inc., CIBC Global Asset Management Inc. and RBC Asset Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption was granted from section 227 of the Ontario Regulation, pursuant to section 233 of the Regulation, and its equivalent in the other jurisdictions, to permit an adviser to dealer managed mutual funds to invest in a connected issuer, subject to an independent review committee.

Applicable Provision

General Regulation, R.R.O. 1990, Reg. 1015, as am., ss. 227, 233.

June 6, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, NOVA SCOTIA, AND
NEWFOUNDLAND AND LABRADOR,
(the Jurisdictions)

AND

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

AND

CIBC ASSET MANAGEMENT INC.,
CIBC GLOBAL ASSET MANAGEMENT INC.
AND RBC ASSET MANAGEMENT INC.
(the Applicants)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**s) in each of the Jurisdictions has received an application from the Applicants (each, a **Dealer Manage**r), the managers or portfolio advisers or both of the mutual funds named in Appendix A (the **Fund**s or **Dealer Managed Funds**) for a decision from each of the Decision Makers under section 233 of General Regulation, R.R.O. 1990, Reg. 1015, as amended (the **Regulation**), in Ontario and the equivalent provision in the Jurisdictions of the other Decision Makers, as set out in Appendix B, for an exemption from complying with Section 227 of the Regulation and the equivalent provisions in the securities legislation of the Jurisdictions of the other Decision Makers, as set out in Appendix "B" (collectively referred to as the **Adviser Restriction**), to enable each Dealer Manager to act as adviser to its Dealer Managed Funds in respect of units (the **Units**) of Teranet Income Fund (the **Issuer**), during the course of the distribution (the **Distribution**) of the Units offered pursuant to a final prospectus to be filed by the Issuer in accordance with the securities legislation of each of the provinces and territories of Canada (the **Offering**), despite the fact that the Issuer may be a connected issuer of the Dealer Managers during the course of the distribution (the **Adviser Restriction Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission (the **OSC**) is the principal regulator for the Adviser Restriction Relief; and

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

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 Applicants:

1. Each Dealer Manager is a "dealer manager" with respect to its Dealer Managed Funds, and each Dealer Managed Fund is a "dealer managed fund", as such terms are defined in section 1.1 of National Instrument 81-102 – *Mutual Fund Distributions*.

2. The securities of the Dealer Managed Funds are qualified for distribution in one or more of the provinces and territories of Canada pursuant to simplified prospectuses that have been prepared and filed in accordance with their respective securities legislation.

3. The head offices of each of the Dealer Managers, except CIBC Global Asset Management Inc., are in Toronto, Ontario. The head offices of CIBC Global Asset Management Inc. are in Montreal, Québec.

4. The Issuer filed a preliminary prospectus (the **Preliminary Prospectus**), dated May 8, 2006, with each of the Decision Makers, for which an MRRS decision document evidencing receipt by each of the Decision Makers was issued on May 9, 2006. The Issuer filed an amended and restated preliminary prospectus dated May 19, 2006 (the **Amended Prospectus**).

5. As described in the Issuer's term sheet dated May 11, 2006 (the **Term Sheet**), the Offering is being underwritten, subject to certain terms, by an underwriting syndicate that includes RBC Dominion Securities, TD Securities Inc. and CIBC World Markets Inc. (each, a **Related Underwriter**, together with any other underwriters which are now or may become part of the syndicate prior to closing, the **Underwriter**s). Each Related Underwriter is an affiliate of one or more of the Dealer Managers.

6. As disclosed in the Amended Prospectus, the Issuer is an unincorporated, open-ended trust established under the laws of Ontario, created to indirectly acquire all of the outstanding shares of Teranet Inc., and all of its subsidiaries (**Teranet**). Teranet primarily operates and supports a system of electronic registration of real property interests in Ontario. The Issuer may also hold other investments in activities engaged, directly or indirectly, in the business of providing other integrated information products and services as well as activities ancillary and incidental thereto and such other investments as may be determined by the trustee of the Issuer. The Issuer currently intends to make monthly distribution of its consolidated available distributable cash to Unit holders to the extent determined prudent by the Issuer's trustees. According to the Term Sheet, the Issuer will have an initial payout rate of 95%.

7. As described in the Term Sheet, the Offering is expected to be for 70 million Units and the initial offering price for the Units is estimated to be $10.00 per unit. As a result, the gross proceeds of the Offering are expected to be approximately $700 million. In addition, according to the Preliminary Prospectus, the Underwriters will be granted an over-allotment option (the **Over Allotment Option**) to purchase an amount equal to a percentage of the Units issued in the Offering which may be exercised within 30 days following the closing of the offering, which is expected to occur on June 15, 2006 (the **Closing Date**). According to the Preliminary Prospectus, the Over Allotment Option is expected to be for an amount equal to up to approximately 15% of the number of Units offered in the Offering. If the Over Allotment Option is exercised in full, the gross proceeds of the Offering are expected to be approximately $805 million.

8. As described in the Amended Prospectus, if the Over-Allotment Option is not exercised, the net proceeds of the Offering will be used to subscribe for units of Teranet Operating Trust (**TOT**) and for notes of the TOT designated as series 1 notes. TOT will, in turn, subscribe for class A limited partnership units of Teranet Holdings LP. Teranet Holdings LP will use a portion of the net proceeds of the Offering to pay the cash portion of the purchase price for an interest bearing demand promissory note issued by Teramira Holdings Inc. (**Teramira**) to the province of Ontario which is convertible at the option of the holder into class B common shares of Teranet. The balance of such net proceeds, together with certain funds made available to Teranet under the New Credit Facilities (defined below), will be used to fund the redemption of Teranet's outstanding bonds in the aggregate principal amount of $280,000,000 due September 8, 2009 designated as 6.48% revenue bonds, to fund the redemption of Teranet's outstanding bonds in the aggregate principal amount of $300,000,000 due March 30, 2017, designated as 5.37% junior bonds, to repay a $20,000,000 promissory note owing by Teranet to the province of Ontario, and to augment Teranet's working capital at the Closing Date.

9. If the Over Allotment Option is exercised in full, the additional net proceeds will be used by the Issuer to, directly or indirectly, acquire units and/or class B units of Teranet Holdings LP at a price of $10 per unit, net of fees payable to the Underwriters in respect of the Over Allotment Option.

10. Pursuant to an 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 Units offered under the Offering.

11. As described in the Amended Prospectus, there is presently no market through which the Units may be sold and purchasers may not be able to resell the Units purchased. However, as disclosed in the Term Sheet, the Issuer has applied to list the Units on the Toronto Stock Exchange.

12. Neither the Preliminary Prospectus nor the Amended Prospectus discloses that the Issuer is a "related issuer" as defined in National Instrument 33-105 – *Underwriting Conflicts* (**NI 33-105**).

13. As described in the Preliminary Prospectus and the Amended Prospectus, RBC Dominion Securities Inc., is a subsidiary of a Canadian chartered bank that has committed to provide the Issuer: (i) a $70 million revolving credit facility; (ii) a $30 million LC facility; (iii) a $315 million bridge loan facility; (iv) a $150 million term loan facility, and (v) a $100 million capex facility (collectively, the **New Credit Facilities**), upon closing of the Offering. CIBC World Markets Inc. is a subsidiary of a Canadian chartered bank that holds an approximate 3% indirect ownership interest in Teranet. Accordingly, the Issuer may be considered a "connected issuer" to the Applicants under NI 33-105. The Amended Prospectus does not disclose that TD Securities Inc. is a "connected issuer" to any of the Related Underwriters under NI 33-105.

14. As described in the Amended Prospectus, the decision to issue the Units and the details of the Offering were made through negotiations between the Issuer, Teramira, Teranet and the Underwriters. As a consequence of the Offering the Related Underwriters will receive their proportionate share of the underwriters' fee.

15. The first quarterly meeting of the Independent Committee of the Dealer Managed Funds of RBC Asset Management Inc., immediately following the end of 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**), is scheduled to be held on September 15, 2006.

16. Despite the affiliation between the Dealer Managers and the Related Underwriters, Dealer Manager operates independently of its Related Underwriter. In particular, the investment banking and related dealer activities of the Related Underwriters and the investment portfolio management activities of each of their respective Dealer Managers 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, each Dealer Manager and its Related Underwriter may communicate to enable the Dealer Manager to maintain up to date restricted-issuer lists to ensure that the Dealer Manager complies with applicable securities laws); and

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

17. The Dealer Managed Funds are not required or obligated to purchase any Units during the Prohibition Period.

18. Each Dealer Manager may cause its Dealer Managed Funds to invest in the Units during the Prohibition Period. Any purchase of the Units by a Dealer Managed Fund will be consistent with the investment objectives of that Dealer Managed Fund and represent the business judgment of the Dealer Manager for that Dealer Managed Fund 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.

19. To the extent that the same portfolio manager or team of portfolio managers of a Dealer Manager manages two or more Dealer Managed Funds and other client accounts that are managed on a discretionary basis (the **Managed Accounts**), the Units 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 Funds and Managed Accounts, and

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

20. Except as described above, each Dealer Manager has not been involved in the work of its Related Underwriter and each Related Underwriter has not been and will not be involved in the decisions of its Dealer Manager as to whether such Dealer Manager's Dealer Managed Funds will purchase Units during the Prohibition Period.

21. There will be an independent committee (the **Independent Committee**) appointed in respect of each Dealer Manager's Dealer Managed Funds to review such Dealer Managed Funds' investments in the Units during the Prohibition Period.

22. 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 Funds, 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.

23. 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 their respective Dealer Managed Funds and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

24. Each Dealer Manager, in respect of its Dealer Managed Funds, will notify a member of staff in the Investment Funds Branch of the Ontario Securities Commission, in writing of any SEDAR Report (as defined below) filed on SEDAR, as soon as practicable after the filing of such a report, and the notice shall include the SEDAR project number of the SEDAR Report and the date on which it was filed.

Decision

The Decision of the Decision Makers under the Legislation is that the Adviser Restriction Relief is granted, notwithstanding that the Issuer may be a connected issuer of the Dealer Managers or that the Related Underwriters act or have acted as underwriters in the Offering, provided that, each Dealer Manager and its Dealer Managed Funds, independent of any of the other Applicants and their Dealer Managed Funds, the following conditions are satisfied:

I. At the time of each purchase of Units (a **Purchase**) by a 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 Units purchased for two or more Dealer Managed Funds 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 Units for the Dealer Managed Funds;

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

V. The Dealer Managed Fund has an Independent Committee to review the Dealer Managed Funds' investments in the Units during the Distribution;

VI. The Independent Committee has a written mandate describing its duties and standard of care which, as a minimum, sets out the applicable 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 Funds 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 Funds, or any associate or affiliate of the Dealer Manager or any portfolio manager of the Dealer Managed Funds 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. Funds;

XI. The Dealer Manager files a certified report on SEDAR (the SEDAR Report) in respect of each Dealer Managed Fund, no later than 97 days after the end of the Distribution, that contains a certification by the Dealer Manager that contains:

(a) the following particulars of each Purchase:

(i) the number of Units purchased by the Dealer Managed Funds of the Dealer Manager;

(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 Units;

(iv) if the Units were purchased for two or more Dealer Managed Funds and other Managed Accounts of the Dealer Manager, the aggregate amount so purchased and the percentage of such aggregate amount that was allocated to each Dealer Managed Fund; and

(v) the dealer from whom the Dealer Managed Fund purchased the Units 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 Units by the Dealer Managed Funds, 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 each Dealer Managed Fund by the Dealer Manager to purchase Units for the Dealer Managed Funds 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 Units by a 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 a Dealer Managed. Fund, in response to the determinations referred to above.

XIII. The Dealer Manager:

(a) expresses an interest to purchase on behalf of Dealer Managed Funds and Managed Accounts a fixed number of Units (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 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 Units 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 Units equal to the difference between the Fixed Number and the number of Units 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 Units purchased by the Dealer Manager under the Offering, prior to the listing of such Units on the TSX.

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

XV. For Purchases of Units 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.

“Robert W. Davis”
Commissioner
Ontario Securities Commission

“Carol S. Perry”
Commissioner
Ontario Securities Commission

APPENDIX A

THE MUTUAL FUNDS

Frontiers Pools

Frontiers Canadian Equity Pool
Frontiers Canadian Monthly Income Pool

CIBC Mutual Funds and CIBC Family of Managed Portfolios

Canadian Imperial Equity Fund
CIBC Balanced Fund
CIBC Balanced Index Fund
CIBC Canadian Small Companies Fund
CIBC Capital Appreciation Fund
CIBC Core Canadian Equity Fund
CIBC Dividend Fund
CIBC Diversified Income Fund
CIBC Financial Companies Fund
CIBC Monthly Income Fund

Imperial Pools

Imperial Canadian Equity Pool
Imperial Canadian Dividend Income Pool
Imperial Canadian Dividend Pool
Imperial Canadian Income Trust Pool

Renaissance Talvest Mutual Funds

Renaissance Canadian Balanced Fund
Renaissance Canadian Balanced Value Fund
Renaissance Canadian Core Value Fund
Renaissance Canadian Dividend Income Fund
Renaissance Canadian Income Trust Fund
Renaissance Canadian Growth Fund
Renaissance Canadian Income Trust Fund II
Renaissance Canadian Small Cap Fund
Talvest Dividend Fund
Talvest Cdn. Asset Allocation Fund
Talvest Cdn. Equity Value Fund
Talvest Small Cap Cdn. Equity Fund
Talvest Millennium High Income Fund
Talvest Millennium Next Generation Fund

RBC Funds (formerly Royal Mutual Funds)

RBC Balanced Fund
RBC Canadian Equity Fund
RBC Canadian Growth Fund
RBC Canadian Value Fund
RBC Balanced Growth Fund
RBC Monthly Income Fund
RBC Blue Chip Canadian Equity Fund
RBC Dividend Fund
RBC Tax Managed Return Fund

RBC Private Pools

RBC Private Income Pool
RBC Private Dividend Pool

RBC Private Canadian Equity Pool
RBC Private Canadian Mid Cap Equity Pool

APPENDIX "B"

The Adviser Restriction

JURISDICTION	REGULATIONS	SECTION OF REGULATIONS	SECTION UNDER WHICH ICF IS BEING BOUGHT
Ontario	Regulation 1015	227	233
Nova Scotia	Securities Regulation	67	74
Newfoundland	Securities Regulation 805/96	191	197

2.1.10 Falconbridge Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from the prospectus and registration requirements granted for trades in negotiable promissory notes and commercial paper (short-term debt instruments). The short-term debt instruments may not meet the "approved credit rating" requirement contained in the short-term debt exemption in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions (NI 45-106). The definition of an "approved credit rating" requires, among other things, that every rating of the short-term debt instrument be at or above a prescribed standard. The relief is granted provided the short-term debt instrument:

(i) matures not more than one year from the date of issue;

(ii) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a short-term debt instrument; and

(iii) has a rating issued by one of the following rating organizations at or above one of the following rating categories: DBRS: "R-1(low); Fitch: "F2"; Moody's: "P-2" or S&P: "A-2".

The relief will terminate on the earlier of 90 days upon an amendment to section 2.35 of NI 45-106 or three years from the date of the decision.

Applicable Ontario Statutory Provisions

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

May 30,2006

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

AND

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

AND

IN THE MATTER OF
FALCONBRIDGE LIMITED
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Makers**) in each of the Jurisdictions has received an application of the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for:

(a) an exemption from the dealer registration requirement in respect of a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue (together **Commercial Paper**); and

(b) an exemption from the prospectus requirement in respect of the distribution of the Commercial Paper,

(collectively, the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:.

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation under the **Business Corporations Act** (Ontario) with its head and principal office located in Toronto, Ontario. The Filer is a reporting issuer or equivalent in each Jurisdiction that recognizes such concept and is not on the list of reporting issuers in default in any of such Jurisdictions.

2. Subsection 2.35(1)(b) of National Instrument 45-106 Prospectus and Registration Exemptions (**NI 45-106**) provides an exemption from the dealer registration and prospectus requirements of the Legislation for short-term debt (the **Short Term Debt Exemption**) is available only where such short-term debt "has an approved credit rating from an approved credit rating organization". NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" that are used in National Instrument 81-102 Mutual Funds (**NI 81-102**).

3. The definition of an "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be "at or above" certain prescribed short term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating".

4. The Filer's Commercial Paper has received an "R-1(low)" rating from Dominion Bond Rating Service Limited (DBRS), which meets the prescribed threshold in NI 81-102.

5. The Filer's Commercial Paper does not, however, meet the "approved credit rating" in NI 81-102 because it has a rating of "A-3" from Standard & Poor's (S&P), which is a lower rating than required by the Short Term Debt Exemption. Accordingly, section 2.35 of NI 45-106 is not available to the Filer.

Decision

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

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

(a) matures not more than one year from the date of issue;

(b) is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and

(c) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	**Rating**
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

(a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternate exemption; and

(b) three years from the date of this decision.

"Paul Moore"
Vice-Chair
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

2.1.11 Stone 2005 Flow-Through Limited Partnership - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications - Exemption from requirement to file an annual information form as per section 9.2 of NI 81-106 – Flow through limited partnership issuer is seeking relief from AIF requirements – the costs of complying with section 9.2 of NI 81-106 outweigh the benefits - limited partners have adequate alternative continuous disclosure in the prospectus, financial statements and MRFP- given the Applicant's limited range of activities and intended dissolution in June 2007, limited partners will not derive much benefit from AIF.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 9.2, 17.1.

June 1, 2006

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

AND

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

AND

IN THE MATTER OF
STONE 2005 FLOW-THROUGH LIMITED PARTNERSHIP
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filer from the requirement in Section 9.2 of National Instrument 81-106 (**NI 81-106**) to file an annual information form (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

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

1. The Filer is a limited partnership formed pursuant to the provisions of the *Limited Partnerships Act* (Ontario) on January 24, 2005.

2. The primary investment objective of the Filer is to invest in flow-through shares (**Flow-Through Shares**) of resource issuers (**Resource Issuers**) engaged primarily in oil and gas and mineral exploration in Canada with a view to maximizing the tax benefit of an investment in limited partnership units of the Filer (**Units**) and achieving capital appreciation for the limited partners of the Filer (the **Limited Partners**).

3. The Filer was granted a decision document, dated May 24, 2005, by the Ontario Securities Commission in its capacity as principal regulator under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms* on behalf of itself and the other securities regulatory authorities or regulators for each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia and the Northwest Territories (collectively, the **Applicable Jurisdictions**), which decision document evidences the issue of final receipts for the Filer's final prospectus (the **Prospectus**) dated May 20, 2005 relating to an offering of up to 1,200,000 Units at $25.00 per Unit. As a result, the Filer is a reporting issuer or the equivalent thereof in the Province of Ontario and each of the Applicable Jurisdictions.

4. On May 30, 2005 and September 27, 2005, the Partnership completed the issue of 165,968 Units and 975,000 Units respectively under the Prospectus. No additional Units have been issued by the Partnership. The Units have not been and will not be listed or quoted for trading on any stock exchange or market.

5. On or about June 30, 2007, unless the date is extended by extraordinary resolution of the Limited Partners, the Filer will be dissolved and the Limited Partners will receive their *pro rata* share of the net assets of the Filer. It is currently contemplated that the General Partner may propose at a special meeting of Limited Partners to be held on or before June, 2007 one or more alternatives (a **Liquidity Alternative**) to the simple dissolution of the Filer, including, without

limitation, a proposal that the Filer exchange its assets for securities of a mutual fund corporation or other appropriate investment vehicle, and distribute such securities to the Limited Partners on a tax-effective basis, which alternatives may be proposed by the General Partner and must be accepted by extraordinary resolution of the Limited Partners.

6. It is disclosed in the Prospectus that the General Partner may apply on behalf of the Filer for relief from the requirements to send to the Limited Partners, among other things, the annual information form (**AIF**) of the Filer.

7. Each of the Limited Partners has, by subscribing for Units in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in Article XIX of the limited partnership agreement of the Partnership dated January 24, 2005 scheduled to the Prospectus and has thereby, in effect, consented to the making of the application for the exemption requested.

8. Since its formation on January 24, 2005, the Filer's activities have been limited to (i) completing the issue of the Units under the Prospectus, (ii) investing its available funds in Flow-Through Shares of Resource Issuers and (iii) incurring expenses as described in the Prospectus.

9. Unless a material change takes place in the business and affairs of the Filer, the Limited Partners will obtain adequate financial information from the Filer's annual and interim financial statements and management report of fund performance thereon. The Prospectus, the financial statements and management report of fund performance provide sufficient information necessary for a Limited Partner to understand the Filer's business, its financial position and its future plans, including the Liquidity Alternative.

10. In light of the limited range of business activities to be conducted by the Filer, the nature of the investment of the Limited Partners in the Filer and the fact that the Filer intends to dissolve on or about June 30, 2007, unless extended by an extraordinary resolution of the Limited Partners in relation to a Liquidity Alternative or otherwise, the requirement to file an AIF may impose a material financial burden on the Filer without producing a corresponding benefit to the Limited Partners.

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 requirement in Section 9.2 of NI 81-106 to file an AIF shall not apply to the Filer.

"Leslie Byberg"
Manager
Ontario Securities Commission

2.1.12 Anglo American plc - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from the prospectus and registration requirements granted for trades in negotiable promissory notes and commercial paper (short-term debt instruments). The short-term debt instruments may not meet the "approved credit rating" requirement contained in the short-term debt exemption in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions (NI 45-106). The definition of an "approved credit rating" requires, among other things, that every rating of the short-term debt instrument be at or above a prescribed standard. The relief is granted provided the short-term debt instrument:

(i) matures not more than one year from the date of issue;

(ii) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a short-term debt instrument; and

(iii) has a rating issued by one of the following rating organizations at or above one of the following rating categories: DBRS: "R-1(low); Fitch: "F2"; Moody's: "P-2" or S&P: "A-2".

The relief will terminate on the earlier of 90 days upon an amendment to section 2.35 of NI 45-106 or three years from the date of the decision.

Applicable Ontario Statutory Provisions

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

May 29, 2006

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

AND

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

AND

IN THE MATTER OF
ANGLO AMERICAN plc (the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Makers**) in each of the Jurisdictions has received an application of the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for:

(a) an exemption from the dealer registration requirement in respect of a trade in negotiable promissory notes or commercial paper of the Filer maturing not more than one year from the date of issue (together **Notes**); and

(b) an exemption from the prospectus requirement in respect of the distribution of the Notes

(collectively, 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 otherwise defined in this decision.

Representations

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

1. The Filer is a corporation incorporated under the laws of England. The Filer is not a reporting issuer in any of the Jurisdictions.

2. Subsection 2.35(1)(b) of National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**) provides that exemptions from the registration and prospectus requirements of the Legislation for short-term debt (the **Short Term Debt Exemption**) is available only where such short-term debt "has an approved credit rating from an approved credit rating organization." NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" that are used in National Instrument 81-102 *Mutual Funds* (**NI 81-102**).

3. The definition of an "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to short term debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a

rating by any "approved credit rating organization" that is not an "approved credit rating."

4. The Filer's Notes have received an "R-1(middle)" rating from Dominion Bond Rating Service Limited (**DBRS**) which meets the prescribed threshold in NI 81-102.

5. The Filer's short-term debt does not, however, meet the "approved credit rating" definition in NI 81-102 because it has a rating of "P-2" from Moody's Investors Service (**Moody's**) and a rating of "A-2" from Standard & Poor's (**S&P**), each of which is a lower rating than required by the Short Term Debt Exemption. Accordingly, section 2.35 of NI 45-106 may not be available to the Filer.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met. The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the Notes:

(a) mature not more than one year from the date of issue;

(b) are not convertible or exchangeable into or accompanied by a right to purchase another security other than Notes;

(c) have a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	**Rating**
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

(a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternate exemption; and

(b) three years from the date of this decision.

"Paul Moore"
Vice-Chair
Ontario Securities Commission

"Robert W. Davis"
Commissioner
Ontario Securities Commission

2.1.13 Business Objects S.A. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Application for relief from the dealer registration requirement and prospectus requirement in respect of certain trades made in connection with an employee stock incentive plan by a French issuer. The offering involves the use of a trust. The issuer cannot rely on the employee exemption in section 2.24 of National Instrument 45-106 Prospectus and Registration Exemptions as the securities are not being offered to Canadian participants directly by the issuer, but through the trust. The offering does not contain a "leveraged fund" component. Canadian participants will not be induced to participate in the offering by expectation of employment or continued employment. Canadian participants will receive certain disclosure documents. Relief granted, subject to conditions.

Application for relief from the dealer registration requirement and adviser registration requirement for the trustee, agent and investment manager of the fund. Those persons will not be providing advice to Canadian participants. Relief granted in respect of specified activities of those persons, subject to conditions.

Applicable Ontario Statutory Provisions

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

Instruments Cited

National Instrument 45-106 Prospectus and Registration Exemptions, s. 2.24.

May 12, 2006

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

AND

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

AND

IN THE MATTER OF
BUSINESS OBJECTS S.A.
(THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for:

    1. an exemption from the dealer registration requirements and the prospectus requirements in respect of:

        (a) the grant of Awards (as defined below) in the form of Units (as defined below) by the Trust (as defined below) made pursuant to the Plan and Sub-Plan (as defined below) to Participants (as defined below) resident in the Jurisdictions (the Canadian Participants);

        (b) trades of American Depositary Shares of the Filer (the ADSs) by the Trust to Canadian Participants upon the redemption of Awards by Canadian Participants;

    2. an exemption from the adviser registration requirements and dealer registration requirements so that those requirements do not apply to the Trustee, the Agent, and the Investment Manager (all as defined below), to the extent that their activities described in this decision document require compliance with the adviser registration requirements and dealer registration requirements (collectively, items 1 and 2 are the Initial Requested Relief); and

    3. an exemption from the dealer registration requirements of the Legislation so that those requirements do not apply to the first trade in any ADSs acquired by Canadian Participants pursuant to an Award (the First Trade Relief).

    Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

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

    1. the Filer is a corporation formed under the laws of France; the ordinary shares of the Filer are traded on Eurolist by Euronext™; ordinary shares of the Filer in the form of ADSs are quoted on the Nasdaq National Market; the Filer is not and has no current intention of becoming a reporting issuer under the Legislation;

    2. as of February 28, 2006, the Filer had 95,604,302 ordinary shares, including ADSs, issued and outstanding;

    3. Business Objects Corp. (the Canadian Affiliate)is a subsidiary of the Filer and is not and has no current intention of becoming a reporting issuer under the Legislation;

    4. the Filer has established the Business Objects S.A. 2001 Stock Incentive Plan (the Plan);

    5. the Filer has also established the Business Objects S.A. 2001 Stock Incentive Plan Subsidiary Stock Incentive Sub-Plan, as a sub-plan under the Plan (the Sub-Plan);

    6. any employee (each a Qualifying Employee) of the Canadian Affiliate or other related entities (within the meaning of National Instrument 45-106) of the Filer (collectively, the Business Objects Affiliates) may be selected to participate in the Sub-Plan;

    7. the purposes of the Sub-Plan are to enable Business Objects Affiliates to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to Qualifying Employees and to promote the success of the Filer's worldwide business;

    8. the Sub-Plan was approved by the shareholders of the Filer on June 10, 2004;

    9. for purposes of the Sub-Plan, the Business Objects Employee Benefits Sub-Plan Trust (the Trust) was established under the laws of California;

    10. according to the terms of the Sub-Plan, the Filer is authorized to issue up to 2,500,000 ordinary shares to the Trust; the issuance price to the Trust will be decided by the board of directors of the Filer or its chief executive officer and will be equal to at least 85% of the closing price in euros per ordinary share on the last trading day preceding the decision to issue the new ordinary shares, as quoted on Eurolist by Euronext or such other source as the board of directors of the Filer deems reliable; under the terms of the Sub-Plan, the board of directors may also allocate ordinary shares repurchased by the Filer, subject to the overall maximum share amount of 2,500,000 ordinary shares in the aggregate;

    11. Business Objects Affiliates contribute cash to the Trust to enable the Trust to subscribe for or purchase ordinary shares of the Filer from the Filer;

    12. ordinary shares will be converted into ADSs of the Filer after they have been subscribed for and issued to, or repurchased by, the Trust;

    13. Qualifying Employees that have been selected to participate in the Plan (Participants) may be granted restricted stock units or performance share units (collectively referred to as Awards); Awards will be granted to a Participant in the form of units (Units) to acquire ADSs from the Trust; each Unit will be the equivalent of one ADS for purposes of determining the numbers of shares subject to an Award; the Units will not be listed on any stock exchange;

    14. the Trust has been established to facilitate the participation of Participants with respect to Award grants to facilitate compliance with French laws and to simplify custodial arrangements for participation; the Trust is not and has no current intention of becoming a reporting issuer under the Legislation; only Participants are allowed to hold Units of the Trust, and the holdings will be in an amount reflecting the number of ADSs held by the Trust on behalf of a Participant;

15. Allecon Stock Associates L.L.C. is the initial trustee of the Trust (the Initial Trustee); the Initial Trustee is a limited liability company governed by the laws of Michigan, United States; the Initial Trustee and any replacement trustee (the Trustee) will be licensed to carry on the business of a trustee under the laws of the United States;

16. the Trustee uses the services of agents/brokers in connection with the operation of the Sub-Plan (each an Agent); any Agent chosen under the Sub-Plan will be registered to conduct retail trades in the Jurisdictions, or registered to conduct retail trades under applicable U.S. securities or banking legislation; the Trustee may at any time appoint additional or replacement Agents; currently, the Agent to the Trustee in the operation of the Sub-Plan with respect to Awards to Canadian Participants is Deutsche Bank Alex Brown; Deutsche Bank Alex Brown is registered to conduct retail trades under applicable U.S. securities legislation;

17. the role of the Trustee and Agent may include (a) disseminating information and materials to Participants in connection with the Sub-Plan; (b) assisting with the administration of and general record keeping with respect to the Trust and the Sub-Plan; (c) holding ADSs on behalf of Participants in limited purpose brokerage accounts; (d) facilitating Award vesting under the Sub-Plan; (e) facilitating the payment of withholding taxes, if any, by cash or the tendering or withholding of ADSs; and (f) facilitating the resale of ADSs including resales by Participants or permitted transferees (if allowed under the terms of an Award grant) if issued in connection with the Sub-Plan;

18. the Trustee's management activities in connection with the Sub-Plan and the Trust are limited to subscribing for ordinary shares from the Filer or through the repurchase plan, distributing ADSs pursuant to Awards and selling ADSs as necessary in order to fund redemption requests; the Trustee is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the Trust; the Trustee's activities in no way affect the underlying value of the ADSs;

19. the Trustee has power and authority to invest and reinvest the cash assets of the Trust in any investment permitted by law that provides sufficient liquidity for the Trustee to make required subscriptions or acquisitions of ordinary shares as required, including the power to deposit or invest cash assets of the Trust in savings accounts or certificates of deposit or other deposits that bear a reasonable interest rate in a bank (including the commercial department of the Trustee) if such bank is supervised by the United States or any state of the United States;

20. the Subsidiary Administrator as defined in the Sub-Plan (the Subsidiary Administrator) may appoint an investment manager (an Investment Manager) to direct, control or manage the investment of all or a portion of the cash assets of the Trust;

21. there are approximately 1,277 Qualified Employees resident in Canada, in the provinces of Ontario (82), British Columbia (1,177), Alberta (6) and Québec (7);

22. Canadian Participants will not be induced to participate in the Sub-Plan by expectation of employment or continued employment with a Business Objects Affiliate;

23. none of the Filer, the Trustee, the Agent, the Investment Manager, the Subsidiary Administrator or any of their employees, agents or representatives will provide investment advice to the Canadian Participants with respect to an investment in the Units or the ADSs;

24. the Canadian Participants will receive an information package, which will include a copy of the Sub-Plan, a grant notice for each Award grant (including the particulars of the grant), an Award agreement setting out the conditions applicable to each Award, and a description of the relevant Canadian income tax consequences; and

25. as of April 13, 2006 and after giving effect to currently contemplated Awards, Canadian residents do not and will not beneficially own more than 10% of the ordinary shares (including those held as ADSs) and do not and will not represent more than 10% of the total number of holders of ordinary shares (including

those held as ADSs), as shown on the books of the Filer.

Decision

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

The decision of the Decision Makers under the Legislation is that:

1. the Initial Requested Relief is granted provided that the first trade in any ADSs acquired by Canadian Participants pursuant to this Decision, in a Jurisdiction, is deemed a distribution under the Legislation of such Jurisdiction unless the following conditions are met:

   (a) the Filer:

      (i) was not a reporting issuer in any jurisdiction of Canada at the date the Award was granted, or

      (ii) is not a reporting issuer in any jurisdiction of Canada at the date of the trade;

   (b) at the date of the grant of the Award, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada:

      (i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series, and

      (ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series; and

   (c) the trade is made:

      (i) through an exchange, or a market, outside of Canada, or

      (ii) to a person or company outside of Canada; and

2. the First Trade Relief is granted, provided that:

   (a) the conditions set out in paragraphs (a), (b) and (c) under the decision granting the Initial Requested Relief are satisfied; and

   (b) the first trade in ADSs acquired by Canadian Participants under this Decision is made through a person or company that is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the foreign jurisdiction where the trade is executed or is appropriately licenced in the Jurisdictions.

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

2.1.14 CNH Capital Canada Receivables Trust - MRRS Decision

Headnote

Mutual Reliance Review System - application by issuer of limited recourse "pay through" notes for relief from the requirement to prepare, file and deliver interim financial statements - interim financial statements not relevant to noteholders due to the fact that i) the business activities of the issuer are restricted; ii) the holders of notes will only have recourse to the related collateral of the notes of that series; and iii) as a consequence of the grant of a security interest by the issuer, the holders of notes of a particular series will have the benefit of a first ranking security interest in the related collateral of the notes of that series - relief granted subject to conditions, including the requirement to prepare, file and deliver monthly, quarterly and annual reports - application by issuer also for relief from the requirements in Multilateral Instrument 52-109 to file interim certificates - interim certificates pursuant to MI 52-109 not appropriate as no interim financial statements will be prepared - relief granted subject to certain conditions, including the requirement to file alternative forms of interim and annual certificates.

Rules Cited

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

May 30, 2006

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

AND

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

AND

IN THE MATTER OF
CNH CAPITAL CANADA RECEIVABLES TRUST
(the "Trust")

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 Trust for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the provisions of the Legislation concerning (i) the preparation, filing and delivery of unaudited interim financial statements (the "Interim Financial Statement Requirements"); and (ii) the filing of interim certificates under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109") (the "Certification Requirements", together with the Interim Financial Statement Requirements, the "Continuous Disclosure Requirements"), will not apply to the Trust.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

1. The Trust was established by The Canada Trust Company ("Canada Trust"), pursuant to a declaration of trust made as of September 11, 2000 (the "Declaration of Trust"), under the laws of the Province of Ontario.

2. Canada Trust is the issuer trustee of the Trust (in such capacity, the "**Issuer Trustee**"). The office of the Issuer Trustee at which it carries out its administrative functions as issuer trustee is P.O. Box 100, Toronto-Dominion Tower, 79 Wellington Street West, 8th Floor, Toronto, Ontario M5K 1A2.

3. The beneficiaries of the Trust are the Canadian Chamber of Commerce and the Canadian Society of Soil Science. Future beneficiaries may be selected from time to time by the Issuer Trustee in its discretion under the Declaration of Trust.

4. The Trust is a "reporting issuer" or has equivalent status in each Jurisdiction and is not in default of any of the requirements of the Legislation in any Jurisdiction.

5. The Trust is a special purpose vehicle that was established to participate in the securitization market. More specifically, the Trust is a master trust that has issued and intends to continue to issue from time to time multiple series of asset-backed securities and other obligations to finance the acquisition of financial assets from CNH Capital Canada Ltd. ("**CNH**") or affiliates of CNH. CNH is a corporation existing under the laws of Alberta whose principal business is providing and

administering financing for the retail purchase or lease of new and used agricultural and construction equipment in Canada. CNH is an indirect, wholly-owned subsidiary of CNH Global N.V., a Netherlands corporation, which, through its subsidiaries, is a manufacturer and distributor of agricultural and construction equipment.

6. The Trust engages solely in the following activities:

   (a) acquiring, holding and managing financial assets acquired from CNH or affiliates of CNH (the "**Receivables**") and all related security with respect thereto, all collections with respect thereto, and all proceeds of the foregoing (collectively, the "**Purchased Assets**");

   (b) issuing asset-backed securities, obtaining loans and entering into hedging contracts and credit enhancement arrangements with respect to financial assets the Trust acquires or those securities and loans;

   (c) making payments on the Trust's securities, loans, hedging agreements and credit enhancements; and

   (d) engaging in other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

7. The asset-backed securities that the Trust issues may represent the Trust's indebtedness and be secured by financial assets that the Trust acquires, such as (i) fixed rate retail instalment sales contracts used to finance the purchase of new and used agricultural and construction equipment, and (ii) fixed rate finance lease contracts used to finance the purchase of new and used agricultural and construction equipment together with the recourse obligation of, and the security interest in, the related financed equipment granted by CNH dealers in favour of CNH under such finance lease contracts. Alternatively, the asset-backed securities that the Trust issues may evidence ownership interests in these financial and other assets.

8. CNH, as administrative agent (in such capacity, the "**Administrative Agent**"), carries out certain administrative and management activities for and on behalf of the Trust, pursuant to an amended and restated administration agreement dated as of September 26, 2000 (the "**Administration Agreement**"), between CNH (formerly Case Credit Ltd.) and the Issuer Trustee. CNH, as servicer pursuant to the sale and servicing agreements for each series of notes (in such capacity, the "**Servicer**"), administers, services and manages the Purchased Assets.

9. The auditors of the Trust are Deloitte & Touche LLP.

10. The Trust has issued seven series of asset-backed securities, being: (i) Series 2000-1 receivable-backed notes having an aggregate principal amount of $326,000,167, (ii) Series 2000-2 receivable-backed notes having an aggregate principal amount of $123,977,064, (iii) Series 2001-1 receivable-backed notes having an aggregate principal amount of $191,156,656, (iv) Series 2002-1 receivable-backed notes having an aggregate principal amount of $156,600,000, (v) Series 2003-1 receivable-backed notes having an aggregate principal amount of $340,000,000, (vi) Series 2004-1 receivable-backed notes having an aggregate principal amount of $295,000,000 and (vii) Series 2005-1 receivable-backed notes having an aggregate principal amount of $300,000,000. It is expected that the Trust will issue additional series of such asset-backed notes in the future to finance the acquisition of additional Receivables or to refinance outstanding asset-backed notes.

11. For the purposes of creating and securing its asset-backed notes, the Trust has entered into a master trust indenture dated as of September 1, 2000, as amended (the "**Trust Indenture**"), between the Trust and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"). The Trust Indenture provides for the creation and issue, pursuant to an indenture supplement to the Trust Indenture (each, a "**Series Supplement**"), of asset-backed notes ("**Notes**") in series (each, a "**Series**" of Notes), each Series of which may be issued in one or more classes of Notes of the Series.

12. Pursuant to the Trust Indenture, the Trust has executed and delivered seven Series Supplements to the Trust Indenture to create and issue the asset-backed securities listed in paragraph 10 above (collectively, the "**Series Notes**").

13. Under the Trust Indenture and the related Series Supplement for each Series of Notes, the Collateral (as defined below) and proceeds thereof (i.e. cash collections and other payments on the Receivables) is allocated amongst each outstanding Series of Notes. The allocations of the Collateral (as defined below) and proceeds to each Series of Series Notes, the recourse of that Series to the Collateral (as defined below) and its proceeds is limited under the terms of the Trust Indenture and the related Series Supplement.

14. The Trust currently has no securities issued and outstanding other than the Series Notes. None of the Series Notes are traded on, and there is no current intention to have any of the Series Notes or any other series of asset-backed securities traded on, any marketplace, as that term is defined in National Instrument 21-101 – *Marketplace Operation.*

15. The Trust currently has, and will continue to have, no material assets or liabilities other than its rights and obligations arising in connection with the acquisition of the Purchased Assets and the issuance of Notes.

16. To secure the due payment of all principal, interest and other monies owing under the Notes from time to time under the Trust Indenture and the related Series Supplement for each series of Notes and the performance of the obligations of the Trust under the Trust Indenture and the related Series Supplement for each series of Notes, the Trust has granted to the Indenture Trustee a security interest in, among other things, all of the Purchased Assets and all collections or other proceeds in respect thereof (the "**Collateral**").

17. The Collateral is and will be held as security for the due payment of all principal, interest and other monies owing under the Notes and such obligations are and will be secured solely by the Collateral. Each Series of Notes benefits from the security interest in the Collateral only to the extent collections on and proceeds of the Collateral are allocated to such Series of Notes pursuant to the Trust Indenture and the related Series Supplement.

18. The sale and servicing agreements for each Series of Notes (collectively, the "**Sale and Servicing Agreements**") require CNH, in its capacity as Servicer, to deliver or cause to be delivered various compliance reports, including those reports described in paragraphs 19 to 21 hereof, inclusive.

19. Each of the Sale and Servicing Agreements requires that the Servicer deliver a monthly certificate (the "**Servicer's Certificate**") to the Issuer Trustee, the Indenture Trustee and the applicable rating agencies on or before the third business day prior to the 15th day of each month. The Servicer's Certificate for each Series provides various items of information relating to the Purchased Assets, and also includes information relating to distributions from, and deposits to, the related accounts for such Series. The Servicer's Certificate is also made available by the Servicer on the Internet at www.cnh.com.

20. Each of the Sale and Servicing Agreements requires the Servicer to furnish to the Issuer Trustee, on or before April 30th of each year and in respect of the preceding calendar year, a certificate of an officer of the Servicer (the "**Annual Servicer's Compliance Certificate**"), certifying that (i) a review of the activities of the Servicer during the applicable period has been performed by such officer, and (ii) the Servicer has fulfilled all of its obligations under such Sale and Servicing Agreement throughout such year or, if there has been a default of such obligations, specifying each such default and the nature and status thereof.

21. Each of the Sale and Servicing Agreements requires the Servicer to have a firm of independent certified public or chartered accountants deliver to the Issuer Trustee on or before April 30 of each year and in respect of the preceding calendar year, a report (the "**Annual Accountants' Servicing Report**") expressing such accountant's opinion with respect to the assertions of management contained in the Annual Servicer's Compliance Certificate for such calendar year.

22. No insider of the Trust, or associate or affiliate thereof, has a direct or indirect interest in any transaction that has materially affected or would materially affect the Trust. No insider of the Trust, or associate or affiliate thereof, has entered into a material contract with the Trust.

23. The Trust has filed, and will continue to file, an annual information form in accordance with National Instrument 44-101 and National Instrument 51-102 in the Jurisdictions in which it is a "reporting issuer" or has equivalent status.

24. The Trust will issue, or cause to be issued, news releases and file material change reports in accordance with the requirements of the Legislation of each Jurisdiction in respect of material changes in its affairs and in respect of changes in the status (including default in payment due to holders of Notes) of any Purchased Assets which may reasonably be considered to be material to holders of Notes issued to fund the purchase or other acquisition of such Purchased Assets.

25. The Trust is subject to section 3.1 of MI 52-109, which requires every reporting issuer to file for each interim period interim certificates (the "**Interim Certificates**"), signed by the persons specified in section 3.1 of MI 52-109 (the "**Certifying Officers**").

26. The Interim Certificates require the Certifying Officers of the Trust to certify as follows:

(a) he or she has reviewed the interim filings (as hereinafter defined) of the Trust for the applicable interim period;

(b) based on his or her knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

(c) based on his or her knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the Trust, as of the date and for the periods presented in the interim filings;

(d) the Certifying Officers are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Trust, and he or she has:

(i) designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Trust is made known to the Certifying Officers by others within the Trust, particularly during the period in which the interim filings are being prepared; and

(ii) designed such internal control over financial reporting, or caused it to be designed under the Certifying Officers' supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with the Trust's GAAP; and

(e) he or she has caused the Trust to disclose in the interim MD&A any change in the Trust's internal control over financial reporting that occurred during the Trust's most recent interim period that has materially affected, or is likely to materially affect, the Trust's internal control over financial reporting.

27. Compliance with the Continuous Disclosure Requirements by the Trust will not, by virtue of the Trust's restricted business and the nature of the Notes, provide meaningful information for the holders of the Notes.

28. The information disclosed or to be disclosed in the interim financial statements of the Trust as it will be presented will not be relevant to the holders of the Notes for the following reasons:

(a) the financial statements of the Trust will aggregate all of the assets (including the Collateral) income and expenses and cash flows of the Trust for each financial period or as at each financial period end in order to arrive at the net assets, net income and changes in financial position of the Trust for or over each such period or as at each such period end;

(b) However:

(i) the Notes of each Series are allocated or entitled to only a portion of the assets, income and cash flows of the Trust and the Collateral;

(ii) the Notes of each Series are responsible or chargeable for only a portion of the expenses of the Trust (such expenses (including the interest expense of the Trust in respect of that Series) are allocated to that Series pursuant to the Trust Indenture and the related Series Supplement);

(iii) holders of Notes of any Series will only have recourse to that portion of the Collateral allocated to the Notes of that Series and will generally not benefit from the Collateral and proceeds and cash flows of the Trust that are allocated to the Notes of another Series; and

(iv) holders of Notes of any Series will generally have only limited recourse to the portion of the Collateral and proceeds and cash flows of the Trust that are allocated to the spread account (i.e. the Subordinated Spread Account Loan).

Accordingly, the holders of Notes of any Series do not and will not have recourse to or protection from all of the Collateral, or all of the proceeds or

cash flows (including interest coverage or asset coverage, if any), that are or will be presented or described in the financial statements of the Trust as the assets, income and cash flows of the Trust as a whole.

29. On not less than an annual basis, the Trust will advise holders of Notes and any future holders of Notes in a notice (the "**Notice**"), delivered to such holders pursuant to the procedures stipulated by National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, or its successor instrument, that (i) the Servicer's Certificate, the quarterly information described in paragraph 32 hereof related to the Notes held by such holders and the annual information described in paragraph 34 hereof is available on SEDAR and on a website and provide the website address of both, and that holders of the Notes may request that paper copies of same be provided to them by ordinary mail, and (ii) the Notice will be posted on the applicable website.

30. The Trust will also advise investors of Notes of each additional series in the prospectus supplement related to the offering of such additional series that the quarterly and annual information described in paragraphs 32 and 34 hereof will be available on SEDAR and on a website and provide the website address of both, and that holders of such additional series may request that paper copies of same be provided to them by ordinary mail and that a notice to this effect will be posted on the applicable website.

31. The Trust, or a representative or agent of the Trust, will make available on the applicable website and mail to holders of Notes who so request, on or before the second business day prior to the 15th day of each month, and will file contemporaneously therewith, or cause to be filed contemporaneously therewith, the Servicer Certificate on SEDAR.

32. Within 60 days of the end of each interim period of the Trust (or within 45 days of the end of an interim period if the Trust is not a venture issuer at the end of such interim period), the Trust, or a representative or agent of the Trust, will make available on the applicable website or mail to holders of Notes who so request and will file on SEDAR contemporaneously therewith, or cause to be filed on SEDAR contemporaneously therewith, management's discussion and analysis ("**MD&A**") with respect to the Purchased Assets and a quarterly report which shall include, in respect of each Series, various items of information relating to the Purchased Assets, and also includes information relating to distributions from, and deposits to, the related accounts for such Series for the interim period.

33. For each interim period, within 60 days of the end of the interim period (or within 45 days of the end of an interim period if the Trust is not a venture issuer at the end of such interim period), the Trust or its duly appointed representative or agent will file on SEDAR an interim certificate in the form set out in Schedule "A" of this MRRS decision document and personally signed by a person who, at the time of filing of the interim certificate, is a senior officer of the Administrative Agent of the Trust.

34. Within 120 days of the end of each financial year of the Trust (or within 90 days of the end of a financial year of the Trust if the Trust is not a venture issuer at the end of such financial year), the Trust, or a representative or agent of the Trust, will make available on the applicable website and mail to holders of Notes who so request and will file on SEDAR contemporaneously therewith, or cause to be filed on SEDAR contemporaneously therewith, the following:

    (a) MD&A with respect to the Purchased Assets, which MD&A will be included in and form part of the annual MD&A of the Trust in respect of its financial statements;

    (b) the Annual Servicer's Compliance Certificate; and

    (c) the Annual Accountants' Servicing Report in respect of the Sale and Servicing Agreement.

35. The Annual Servicer's Compliance Certificate and Annual Accountants' Servicing Report will provide assurance to the holders of Notes as to the accuracy of the Servicer's Certificate.

36. In addition to complying with the annual certification requirements pursuant to MI 52-109, for each financial year of the Trust, within 120 days of the end of the financial year (or within 90 days of the end of the financial year if the Trust is not a venture issuer at the end of such financial year), the Trust or its duly appointed representative or agent will file on SEDAR an annual certificate in the form set out in Schedule "B" of this MRRS Decision Document and personally signed by a person who, at the time of filing of the annual certificate, is a senior officer of the Trust, a Servicer or an administrative agent of the Trust.

37. The provision of information to holders of Notes on a monthly, quarterly and annual basis as described in paragraphs 31, 32 and 34 hereof, as well as the notice to be given by, or on behalf of, the Trust as to the availability of such information in accordance with the procedures described in

paragraphs 29 and 30 hereof, will meet the objectives of allowing the holders of Notes to monitor and make informed decisions about their investments.

38. The assignment and conveyance of the Purchased Assets from CNH to the Trust has been registered in such a manner and in such places as may be required by law to (i) ensure recognition as against third parties of the Trust's right, title and interest in the Purchased Assets, and (ii) fully preserve, perfect and protect the right, title and interest of the Trust in the Purchased Assets against third parties, including the right to collect the Purchased Assets and to enforce the related security. The security interest of the Indenture Trustee in the Collateral has been registered in such a manner and in such places as may be required by law to fully preserve, perfect and protect such security interest against third parties.

39. As a consequence of the grant of a security interest by the Trust to the Indenture Trustee in the Collateral, and the perfection of such security interest, the holders of Notes of any Series have the benefit of a first ranking security interest in the Collateral allocated to such Series, with the result that, in the event of the bankruptcy or insolvency of the Trust, the holders of such Series of Notes will be entitled to payment in full out of the Collateral allocated to such Series of any principal, interest or other monies owing under such Series prior to any payment being made out of the Collateral allocated to such Series to the Seller or any other creditor, whether voluntary or involuntary, of the Trust.

40. The only security holders of the Trust are and will be the holders of Notes and the holders of the Trust's other asset-backed securities issued from time to time.

41. The Trust will comply with the other continuous disclosure requirements contained in the Legislation, if any, except as such requirements may be modified by the decision of the Decision Makers made in connection with this Application.

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 from and after the date of this Decision, the Trust is exempted from the Continuous Disclosure Requirements provided that:

(a) the only securities that the Trust distributes to the public are Notes;

(b) the Trust complies with paragraphs 6, 8, 15, 22, 24, 29, 30, 31, 32, 33, 34 and 36 hereof;

(c) the Trust complies with all requirements of National Instrument 51-102, other than the requirements concerning the preparation, filing and delivery of interim financial statements; and

(d) this Decision shall terminate sixty days after the occurrence of a material change in any of the representations of the Trust contained in paragraphs 5, 6, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 38, 39, 40 and 41 hereof, unless the Trust satisfies the applicable Decision Makers that the exemption should continue.

It is the further decision of the Decision Makers under the Legislation that the relief from the Certification Requirements is granted provided that:

(e) the Trust is not required to prepare, file and deliver interim financial statements under the Legislation, whether pursuant to exemptive relief or otherwise; and

(f) the relief from the Certification Requirements will cease to be effective in a Jurisdiction on the earlier of:

(i) June 1, 2008; and

(ii) the date on which a rule regarding the continuous disclosure requirements for issuers of asset-backed securities comes into force in a Jurisdiction.

"Iva Vranic"
Manager, Corporate Finance
Ontario Securities Commission

Schedule "A"

Certification of interim filings for issuers of asset-backed securities

I, ***<identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer>***, certify that:

1. I have reviewed the following documents of ***<identify issuer>*** (the "Issuer"):

   (a) the servicer's certificates for each month in the interim period ended ***<insert relevant date>*** (the "Servicer's Certificates"); and

   (b) interim MD&A in respect of the issuer's pool(s) of financial assets for the interim period ended ***<insert the relevant date>*** (the "Interim MD&A"),

   (the Servicer's Certificates and the Interim MD&A are together the "Interim Filings");

2. Based on my knowledge, the Interim Filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the Interim Filings; and

3. Based on my knowledge, all of the distribution, servicing and other information required to be filed under the decision(s) ***<identify the decision(s)>*** as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties ***<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >***.]

Date: ***<insert date of filing>***

_____

[Signature]

[Title]

< indicate the capacity in which the certifying officer is providing the certificate >

Schedule "B"

Certification of annual filings for issuers of asset-backed securities

I, ***<identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer>***, certify that:

1. I have reviewed the following documents of ***<identify issuer>*** (the "Issuer"):

   (a) the servicer certificates for each month in the financial year ended ***<insert financial year end>*** (the "Servicer Certificates"); and

   (b) each annual statement of compliance regarding fulfillment of the obligations of the servicer(s) under the related servicing agreement(s) for the financial year ended ***<insert the relevant date>*** (the "Annual Compliance Certificate(s)"),

   (the Servicer Certificates and the Annual Compliance Certificate(s) are together the "Annual Filings");

2. Based on my knowledge, the Annual Filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the Annual Filings;

3. Based on my knowledge, all of the distribution, servicing and other information and all of the reports on assessment of compliance with servicing criteria for asset-backed securities and the Annual Accountant's Report respecting compliance by the Servicer(s) with servicing criteria for asset-backed securities required to be filed under the decision(s) ***<identify the decision(s)>*** as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR;

4. Option #1 ***<use this alternative if a servicer is providing the certificate>*** I am responsible for reviewing the activities performed by the Servicer(s) and based on my knowledge and the compliance review(s) conducted in preparing the Annual Compliance Certificate(s), and except as disclosed in the Annual Filings, the Servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

   Option #2 ***<use this alternative if the Issuer or the administrative agent is providing the certificate>*** Based on my knowledge and the

Annual Compliance Certificate(s), and except as disclosed in the Annual Filings, the Servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

5. The Annual Filings disclose all material instances of noncompliance with the servicing criteria based on the [servicer's/servicers'] assessment of compliance with such criteria.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties ***<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >***.]

Date: ***<insert date of filing>***

_____

[Signature]

[Title]

< indicate the capacity in which the certifying officer is providing the certificate >

2.1.15 Manitoba Telecom Services Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from the prospectus and registration requirements granted for trades in negotiable promissory notes and commercial paper (short-term debt instruments). The short-term debt instruments may not meet the "approved credit rating" requirement contained in the short-term debt exemption in section 2.35 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106). The definition of an "approved credit rating" requires, among other things, that every rating of the short-term debt instrument be at or above a prescribed standard. The relief is granted provided the short-term debt instrument:

(i) matures not more than one year from the date of issue;

(ii) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a short-term debt instrument; and

(iii) has a rating issued by one of the following rating organizations at or above one of the following rating categories: DBRS: "R-1"(low); Fitch: "F2"; Moody's: "P-2" or S&P: "A-2".

The relief will terminate on the earlier of 90 days upon an amendment to section 2.35 of NI 45-106 or three years from the date of the decision.

Applicable Ontario Statutory Provisions

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

May 31, 2006

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

AND

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

AND

IN THE MATTER OF
MANITOBA TELECOM SERVICES INC.
(THE "FILER")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Makers**") in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for:

(a) an exemption from the dealer registration requirement in respect of a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue (together "Commercial Paper"); and

(b) an exemption from the prospectus requirement in respect of the distribution of Commercial Paper,

(collectively the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) The Manitoba 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 under *The Corporations Act* (Manitoba). The Filer's head and registered office is located in Winnipeg, Manitoba.

2. The Filer is a reporting issuer in each of the Jurisdictions, except Northwest Territories, Nunavut and Yukon.

3. The Filer is not in default of its obligations under the Legislation in any Jurisdiction.

4. The Filer has established a CDN $150,000,000 Commercial Paper program. The Commercial Paper is not qualified by a prospectus filed in any Jurisdiction, and is sold exclusively on a private placement basis in accordance with available exemptions from the dealer registration and prospectus requirements of the Legislation.

5. Section 2.35 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**") provides that exemptions from the dealer registration and prospectus requirements of the Legislation for short-term debt (the "**Commercial Paper Exemption**") are available only where such short-term debt "has an approved credit rating from an approved credit rating organization". NI 45-106 incorporates by reference the definitions of "approved credit rating" and "approved credit rating organization" that are used in National Instrument 81-102 *Mutual Funds* ("**NI 81-102**").

6. The definition of an "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating".

7. The Filer's Commercial Paper has received an "R-1(low)" rating from Dominion Bond Rating Service Limited, which meets the prescribed threshold in NI 81-102.

8. The Filer's Commercial Paper does not, however, meet the "approved credit rating" in NI 81-102 because it has received a rating of "A-2" from Standard & Poor's, which is a lower rating than required by the Commercial Paper Exemption.

Decision

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

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

(a) matures not more than one year from the date of issue;

(b) is not convertible or exchangeable into, or accompanied by, a right to purchase another security other than Commercial Paper; and

(c) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

(a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternate exemption; and

(b) three years from the date of this decision.

"Chris Besko"
Deputy Director - Legal

2.1.16 ABN AMRO Asset Management Canada Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from requirement to obtain specific and informed written consent from discretionary management clients once in each twelve-month period with respect to certain funds – subject to conditions.

Applicable Ontario Legislation

Ontario Regulation 1015, R.R.O. 1990, ss. 227(2)(b), 233.

May 30, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA AND NEW BRUNSWICK
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
ABN AMRO ASSET MANAGEMENT CANADA
LIMITED (the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the requirement that a registrant acting as an adviser and exercising discretionary authority with respect to the investment portfolio or account of a client (in each case, a **Client**) not purchase or sell securities of a related issuer, or in the course of an initial distribution or a distribution (depending on the Jurisdiction) securities of a connected issuer, to invest in securities of funds managed, or to be managed, by the Filer or an associate or affiliate of the Filer (collectively the **Funds**), unless once in each twelve month period it provides the Client a copy of its Statement of Policies and obtains the specific and informed written consent of the Client (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation formed under the laws of the Province of Ontario and has its head office in Toronto. The Filer is registered as an adviser in each of Ontario, Alberta, British Columbia, New Brunswick and Quebec.

2. The Filer manages its Client's assets on a discretionary basis and may trade in securities of one or more Funds governed by National Instrument 81-102 - *Mutual Funds,* or in the securities of one or more pooled Funds for its Clients' accounts. Discretionary management Clients of the Filer enter into a discretionary investment management agreement (the **Managed Account Agreement**) with the Filer.

3. Each discretionary management Client of the Filer will receive specific disclosure of the relationship between the Filer and the applicable Funds.

4. Each discretionary management Client of the Filer will specifically consent to the Filer exercising its discretion under the Managed Account Agreement to buy and sell securities of the Funds.

5. The Funds are generally connected issuers of the Filer within the meaning of securities rules or instruments and it is possible that a new Fund may be a related issuer of the Filer for a period of time until the Filer ceases to hold more than 20% of the units of the Fund.

6. All discretionary management Clients of the Filer receive an initial copy of the Statement of Policies of the Filer when they enter into a Managed Account Agreement with the Filer, which includes a conflicts statement listing the related and connected issuers of the Filer. In the event of a significant change in its Statement of Policies, the Filer will provide to each of its Clients a copy of the revised version of, or amendment to, the Statement of Policies.

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 pursuant to the Legislation is that the Requested Relief is granted, provided that the Filer has provided an initial copy of the Filer's Statement of Policies, and has secured the specific and informed consent of the discretionary management Client in advance of the exercise of discretionary authority to invest in the applicable Funds.

"Paul M. Moore"
Commissioner
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

2.1.17 EDS Canada Inc. and Excelleratehro Canada Co. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Applicants exempted from the dealer registration requirements in the Legislation in respect of trades in securities of mutual funds to Capital Accumulation Plans, subject to terms and conditions.

Statutes Cited

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

Rules Cited

National Instrument 81-102 – Mutual Funds.
National Instrument 45-106 – Prospectus and Registration Exemptions.

Published Documents Cited

Amendments to NI 45-106 – Registration and Prospectus Exemption for Certain Capital Accumulation Plans, October 21, 2005 (2005), 25 OSCB 8681.

June 2, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, QUEBEC, NEWFOUNDLAND AND LABRADOR AND THE YUKON
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
EDS CANADA INC. (EDS)
AND
EXCELLERATEHRO CANADA CO.
(ExcellerateHRO and, together with EDS, 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 a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the dealer registration requirements of the Legislation in respect of certain trading by the Filers and the officers and employees acting on their behalf in the securities of mutual funds to tax assisted investment or savings plans (**Capital Accumulation Plans** or **CAPs**) or to a member of a CAP as part of the member's participation in the CAP (the **Requested Relief**);

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission (the **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 Filers:

1. EDS is a corporation governed by the laws of the province of Ontario. Its head office is located in Toronto, Ontario. EDS is a wholly-owned subsidiary of Electronic Data Systems Corporation.

2. ExcellerateHRO LLP is a human resources outsourcing business 85% owned by Electronic Data Systems Corporation and 15% owned by Towers Perrin Forster & Crosby, Inc. ExcellerateHRO LLP conducts business in Canada through its wholly-owned subsidiary ExcellerateHRO, a Nova Scotia company.

3. In Canada, ExcellerateHRO assists clients with various human resource functions including the administration of a variety of pension, savings and benefit plans. EDS provides the support and delivery resources necessary for ExcellerateHRO to fulfill its obligations to clients.

4. ExcellerateHRO's administrative services generally involve recordkeeping of member data, including periodic valuation of member accounts, processing of transactions in respect of member accounts, providing member statements as required under pension standards legislation and/or the applicable administration agreement, and administering member accounts in the context of termination, death, retirement or marriage breakdown.

5. With respect to CAPs, ExcellerateHRO and EDS as its subcontractor assists ExcellerateHRO's clients in the administration of defined contribution pension plans, group RRSPs, employee profit sharing plans, deferred profit sharing plans and other savings arrangements.

6. EDS, on behalf of ExcellerateHRO, also provides direct member contact services through its call centre and a variety of self help tools for members. EDS and ExcellerateHRO are not involved in plan design, discretionary decision making with respect to administered plans or member accounts, selection of investments or the provision of investment advice to plan members.

7. Under certain plans administered by ExcellerateHRO and EDS as its subcontractor, members are able to self-direct investments in their accounts. This includes making initial investment decisions and subsequent changes to those investment decisions.

8. Investment directions are posted to individual accounts electronically, and then a report is sent to the applicable plan trustee by EDS on ExcellerateHRO's behalf. The trustee effects the transaction with the fund manager/broker. EDS does not issue instructions to the fund manager/broker directly.

9. Investments available in the plan administered by ExcellerateHRO and EDS as its subcontractor include securities of mutual funds. Plan members are located across Canada.

10. The Filers, or officers and employees acting on their behalf, intend to trade in the securities of mutual funds to Capital Accumulation Plans, such as defined contribution registered pension plans, group registered retirement savings plans, or deferred profit sharing plans, that are established by a plan sponsor (**Plan Sponsor**), such as an employer, trustee, trade union or association, and that permit Members to make investment decisions among two or more investment options offered within the Capital Accumulation Plan.

11. The Filers also intend to trade in securities of mutual funds to Members of Capital Accumulation Plans as part of such Members' participation in the Capital Accumulation Plans. In particular, the Members of Capital Accumulation Plans with whom the Filers will trade securities of mutual funds will be current or former employees of an employer, or a person who belongs, or did belong to a trade union or association or,

    (a) his or her spouse;

    (b) a trustee, custodian or administrator who is acting on his or her behalf, or for his or her benefit, or on behalf of, or for the benefit of, his or her spouse; or

    (c) his or her holding entity or a holding entity of his or her spouse,

    that has assets in a CAP, and includes a person that is eligible to participate in a CAP (**Members**).

12. The Filers intend to trade securities of mutual funds to a Capital Accumulation Plan or a Member in accordance with the conditions specified in proposed amendments to National Instrument 45-106 – *Prospectus and Registration Exemptions* (the **Proposed Amendment**) related to CAPs which were published by the Canadian Securities Administrators on October 21, 2005 and adopted in the form of a blanket exemption in each of the provinces and territories other than the Jurisdictions.

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:

1. The relevant Plan Sponsor:

    (a) selects the mutual funds that Members will be able to invest in under the Capital Accumulation Plan;

    (b) establishes a policy, and provides Members with a copy of the policy and any amendments to it, describing what happens if a Member does not make an investment decision;

    (c) provides Members, in addition to any other information that the Plan Sponsor believes is reasonably necessary for a Member to make an investment decision within the CAP, and unless that information has previously been provided, the following information about each mutual fund the Member may invest in:

        (i) the name of the mutual fund;

        (ii) the name of the manager of the mutual fund and its portfolio advisor;

        (iii) the fundamental investment objective of the mutual fund;

        (iv) the investment strategies of the mutual fund or the types of investments the mutual fund may hold;

(v) a description of the risks associated with investing in the mutual fund;

(vi) where a Member can obtain more information about each mutual fund's portfolio holdings;

(vii) where a Member can obtain more information generally about each mutual fund, including any continuous disclosure; and

(viii) whether the mutual fund is considered foreign property for income tax purposes, and if so, a summary of the implications of that status for a Member who invested in that mutual fund;

(d) provides Members with a description and amount of fees, expenses and penalties relating to the Capital Accumulation Plan that are borne by Members, including:

(i) any costs that must be paid when the mutual fund is bought or sold;

(ii) costs associated with accessing or using any of the investment information, decision-making tools or investment advice provided by the Plan Sponsor;

(iii) mutual fund management fees;

(iv) mutual fund operating expenses;

(v) record keeping fees;

(vi) any costs of transferring among investment options, including penalties, book and market value adjustments and tax consequences;

(vii) account fees; and

(viii) fees for services provided by service providers,

provided that the Plan Sponsor may disclose the fees, penalties and expenses on an aggregate basis, if the Plan Sponsor discloses the nature of the fees, expenses and penalties, and the aggregated fees do not include fees that arise because of a choice that is specific to a particular Member;

(e) has within the past year, provided Members with performance information about each mutual fund the Members may invest in, including:

(i) the name of the mutual fund for which the performance is being reported;

(ii) the performance of the mutual fund, including historical performance for one, three, five and ten years if available;

(iii) a performance calculation that is net of investment management fees and mutual fund expenses;

(iv) the method used to calculate the mutual fund's performance return calculation, and information about where a Member could obtain a more detailed explanation of that method;

(v) the name and description of a broad-based securities market index, selected in accordance with National Instrument 81-106 – *Investment Fund Continuous Disclosure* for the mutual fund, and corresponding performance information for that index; and

(vi) a statement that past performance of the mutual fund is not necessarily an indication of future performance;

(f) has, within the past year, informed Members if there were any changes in the choice of mutual funds that Members could invest in and where there was a change, provided information about what Members needed to do to change their investment decision, or make a new investment;

(g) provides Members with investment decision-making tools that the Plan Sponsor reasonably believes are sufficient to assist them in making an investment decision within the Capital Accumulation Plan;

(h) provides the information required by paragraphs (b), (c), (d) and (g) prior to the Member making an investment decision under the CAP; and

(i) if the Plan Sponsor makes investment advice from a registrant available to Members, the Plan Sponsor must provide Members with information about how they can contact the registrant.

2. This Decision, as it relates to the jurisdiction of a Decision Maker, will terminate upon the effective date of a rule dealing with the subject matter of the Proposed Amendment, or 60 days after the Decision Maker publishes in its Bulletin a notice or a statement to the effect that it does not propose to make such a rule.

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

"Paul K. Bates"
Commissioner
Ontario Securities Commission

2.1.18 Chartwell Seniors Housing Real Estate Investment Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – real estate investment trust granted relief to use a test based on net operating income rather than income from continuing operations for the purposes of the requirement to file business acquisition reports in respect of acquisitions.

Rules Cited

National Instrument 51-102 - Continuous Disclosure Obligations.

April 21, 2006

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

AND

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

AND

IN THE MATTER OF
CHARTWELL SENIORS HOUSING
REAL ESTATE INVESTMENT TRUST

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador (collectively, the Jurisdictions) has received an application from Chartwell Seniors Housing Real Estate Investment Trust (the REIT) for a decision pursuant to the securities legislation in the Jurisdictions (the Legislation) granting relief to use the NOI test (as defined below) rather than the income test for the REIT's continuous disclosure obligations in respect of acquisitions completed in 2006 and all future seniors housing and related business acquisitions completed in any following years, subject to the REIT continuing to be solely engaged in the business of seniors housing and related businesses (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101 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 REIT:

1. The REIT is an unincorporated, open-ended investment trust established under the laws of the Province of Ontario by a declaration of trust with its head office located in Mississauga, Ontario.

2. The REIT is a reporting issuer under the securities legislation of each of the provinces of Canada.

3. The units of the REIT are listed and posted for trading on the Toronto Stock Exchange under the trading symbol CSH.UN.

4. The REIT completed its initial public offering (the IPO) on November 14, 2003 pursuant to its final long form prospectus dated October 31, 2003.

5. The proceeds of the IPO were used by the REIT to indirectly acquire a portfolio of seniors housing facilities pursuant to multiple acquisition agreements with different vendors. Since the IPO the REIT has completed acquisitions of a number of seniors housing facilities and expects to complete additional acquisitions this year and in subsequent years.

6. The tests for whether or not an acquisition is significant under National Instrument 51-102 – *Continuous Disclosure Obligations* are substantially identical to the significance tests under the previous National Instrument 44-101 – *Short Form Prospectus Distributions*.

7. The use of a test (the NOI test) based on net operating income (calculated as revenue less operating expenses and less allowance for bad debt, but before deducting principal and interest payments, depreciation allowances and costs of capital expenditures), rather than using income from continuing operations, provides a more realistic indication of the significance of the acquisitions and its results are generally consistent with the asset test and investment test. The NOI test also closely reflects the intent of the income test.

8. The approach of using the NOI test rather than the income test, which underlies the Requested Relief, has been approved by the Canadian Securities Administrators in connection with the REIT's 2005 BAR obligations and in connection with two prospectuses.

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.

"Cameron McInnis"
Manager, Corporate Finance
Ontario Securities Commission

2.1.19 Advantaged Preferred Share Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Investment fund using specified derivatives exempted from the requirement in subsection 14.2(3)(b) of National Instrument 81-106 Investment Fund Continuous Disclosure to calculate its net asset value on a daily basis, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 14.2(3)(b), 17.1.

May 25, 2006

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

AND

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

AND

IN THE MATTER OF
ADVANTAGED PREFERRED SHARE TRUST
(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 (the "**Application**") from the Filer dated April 28, 2006 for a decision under the securities legislation (the "**Legislation**") of the Jurisdictions for an exemption from section 14.2(3)(b) of National Instrument 81-106 *Investment Funds Continuous Disclosure* ("**NI 81-106**"), which requires an investment fund that uses specified derivatives (as such term is defined in National Instrument 81-102 *Mutual Funds*) to calculate net asset value ("**NAV**") at least once every business day (the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

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

1. The Filer is an investment trust to be established under, and governed by, the laws of Ontario.

2. RBC Dominion Securities Inc. (the "**Administrator**") is the promoter and administrator of the Filer and will perform administrative services on behalf of the Filer. RBC Dominion Securities Inc. is also the calculation agent ("**Calculation Agent**") of the Filer.

3. Computershare Trust Company of Canada will act as the transfer agent and registrar for the Units (as defined below).

4. A preliminary prospectus of the Filer dated April 6, 2006 (the "**Preliminary Prospectus**") has been filed with the securities regulatory authorities in each of the provinces and territories of Canada in connection with a proposed issuance of units of the Filer (the "**Units**").

5. The Units are expected to be listed and posted for trading on the Toronto Stock Exchange (the "**TSX**"). An application requesting conditional listing approval has been made on behalf of the Filer to the TSX.

6. The Units will be retractable at the option of the holders of Units (the "**Unitholders**") on both a monthly and an annual basis. Commencing in 2007, Units can be retracted annually on or before June 30th of each year (the "**Annual Retraction Date**"). Unitholders who retract their Units on the Annual Retraction Date will be entitled to receive a cash retraction price per Unit equal to the net realized proceeds per Unit, determined as of the Valuation Date, less any expenses incurred by the Filer to partially settle the Forward Agreement (as defined below) in order to fund such retraction. For the purposes of this calculation, "**Valuation Date**" means a day on which the NAV per Unit is calculated. The monthly retractions are at a price computed by reference to the market price of the Units on the monthly retraction date. Since the primary purpose of the Filer is to invest money provided by its Unitholders, the Filer does not invest for the purpose of exercising effective control, seeking to exercise effective control or

being actively involved in the management of the issuers in which it invests. As a result, the Filer will not be a "mutual fund" under applicable securities legislation, but will be a "non-redeemable investment fund" for purposes of the Legislation.

7. The Filer's investment objectives are to provide Unitholders with exposure, on a passive basis, to the performance of an equally-weighted, diversified notional portfolio of 50 preferred shares (the ''**Notional Securities**'') of Canadian issuers (the ''**Notional Preferred Portfolio**'').

8. The Filer intends to make tax-efficient cash distributions to Unitholders at the end of each calendar quarter.

9. In order to meet its investment objectives and provide Unitholders with indirect exposure to the Notional Preferred Portfolio, the Filer will use the net proceeds of the offering to pre-pay its obligation to purchase a portfolio consisting of securities of certain specified Canadian public issuers listed on the TSX that are ''Canadian securities'' as defined in the *Income Tax Act* (Canada) (the ''**Securities Portfolio**'') under a forward purchase and sale agreement (the ''**Forward Agreement**'') which the Filer will enter into with Royal Bank of Canada (the ''**Counterparty**'').

10. Under the terms of the Forward Agreement, the Counterparty will agree to deliver to the Filer on May 31, 2011, or earlier if the Forward Agreement is terminated prior to this date (the "**Forward Termination Date**"), the Securities Portfolio securities. Under the terms of the Forward Agreement, the Filer and the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreement with respect to the Securities Portfolio securities will be discharged by physical delivery of the Securities Portfolio securities by the Counterparty to the Filer. The value of the Securities Portfolio securities delivered to the Filer will be equal to the value of the Notional Preferred Portfolio based on the Traded Prices, less any leverage, on the Forward Termination Date. ''**Traded Prices**'' means, at any time, for the Notional Securities, the volume weighted average prices, as reasonably determined by the Calculation Agent, at which an active market trader, trading in Canadian preferred shares, could reasonably buy or sell, as the case may be, the relevant amount of such Notional Securities on the TSX (as reviewed by the Filer's independent trustees).

11. From time to time, the Filer may hold a portion of its assets in cash and cash equivalents.

12. The Forward Agreement provides that the Forward Agreement may be partially settled prior to the Forward Termination Date: (i) to permit the Filer to fund quarterly distributions and retractions of Units from time to time; (ii) to fund expenses and other liabilities of the Filer; and (iii) for any other reason.

13. The NAV per Unit of the Filer will be calculated and made available to the financial press for publication on a weekly basis. The Filer's prospectus will disclose that the Filer's NAV per Unit is available to the public upon request as well as the methods by which this information can be obtained.

14. The Filer will employ leverage in the Notional Preferred Portfolio to enhance the Notional Preferred Portfolio's total returns.

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 under the Legislation is that the Requested Relief is granted provided that the final prospectus discloses:

(a) that the NAV per Unit of the Filer is available to the public upon request; and

(b) a toll-free telephone number or website which the public can access for this purpose;

for so long as:

(c) the Units are listed on the TSX; and

(d) the Filer calculates its net asset value per Unit at least weekly.

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

2.2 Orders

2.2.1 Matterhorn Capital Corp. and Paul Barnard - s. 127

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

AND

IN THE MATTER OF
MATTERHORN CAPITAL CORP.
AND PAUL BARNARD

TEMPORARY ORDER
(Section 127)

WHEREAS it appears to the Ontario Securities Commission (the Commission) that:

1. Matterhorn Capital Corp. (Matterhorn) is registered under Ontario securities law as a Limited Market Dealer.

2. Matterhorn was granted registration on May 24, 2006. Matterhorn's business plan was to raise capital for public and private companies on an exempt basis. The intended client base of the company would consist of accredited investors. Matterhorn has not commenced business operations.

3. Paul Barnard (Barnard) was granted registration as an officer in the category of Limited Market Dealer on May 24, 2006. He is the sole shareholder and registered officer of Matterhorn and the compliance officer of the firm.

4. On May 9, 2006, the United States Federal Trade Commission (FTC) filed a three count complaint alleging that Barnard and others, including corporations for which he served as owner, officer and director, had engaged in deceptive acts and practices in or affecting commerce, in breach of the laws of the United States.

5. The conduct at issue in the FTC complaint involves an alleged scheme in which telemarketing, the Internet and mass mailings were used to sell valueless business directories in the United States. At the time of the filing of the FTC complaint, the scheme was alleged to be taking in as much as one million dollars per month. The scheme was further alleged to have been operating since 2000.

6. On May 9, 2006, a temporary restraining order and asset freeze order (US Order) was made by the United States District Court for the Northern District of Illinois Eastern Division as against Barnard and others.

7. On May 24, 2006, the US Order was continued until completion of the trial on the merits or a further order of the court.

8. In Barnard's application for registration as the sole trading officer, director and shareholder of Matterhorn, he disclosed previous employment with Datacom Marketing (Datacom), a call centre located at 1835 Yonge Street, Toronto, Ontario. He also disclosed that he worked under the supervision of Judy Neinstein (Neinstein). Both Datacom and Neinstein are named in the U.S. Order.

9. Barnard failed to disclose the FTC complaint and the U.S. Order issued against him in his application for registration, in contravention of MI 33-109 of the *Securities Act*.

10. On May 26, 2006, the Competition Bureau announced that criminal and other charges had been laid against Barnard and Neinstein in relation to their alleged activities in deceptive telemarketing activities over a 10-year period in Toronto.

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

AND WHEREAS, pursuant to subsection 127(5) of the Act, the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest;

AND WHEREAS by Commission order made November 1, 2005 pursuant to section 3.5(3) of the Act, each of W. David Wilson, Susan Wolburgh Jenah and Paul M. Moore, acting alone, is authorized to make orders under section 127 of the Act;

IT IS HEREBY ORDERED that, pursuant to clause 1 of subsection 127(1) of the *Act,* the registration of Matterhorn and the registration of Paul Barnard be suspended; and

IT IS FURTHER ORDERED that, pursuant to subsection 127(6) of the *Act,* this Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission.

DATED at Toronto this 31st day of May, 2006.

"Paul M. Moore"

2.2.2 Rtica Corporation - s. 144

Headnote

Section 144 - application for partial revocation of cease trade order - variation of cease trade order to permit private placement, subject to conditions.

Applicable Ontario Statutory Provisions

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

May 31, 2006

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

AND

IN THE MATTER OF
RTICA CORPORATION

ORDER
(Section 144 of the Act)

WHEREAS the securities of Rtica Corporation (the **Applicant**) are currently subject to a cease trade order dated October 3, 2005 made pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, as extended by a further order dated October 14, 2005 made pursuant to paragraph 2 of subsection 127(1) of the Act (collectively, the **Cease Trade Order**) ordering that trading in the securities of the Applicant cease;

AND WHEREAS the Applicant has applied to the Ontario Securities Commission (the **Commission**) pursuant to Section 144 of the Act for an order varying the Cease Trade Order with respect to the Private Placement (as defined below);

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant was incorporated on May 30, 1997 under the laws of Alberta, and was subsequently continued under the laws of the *Business Corporations Act* (Ontario) on April 25, 2001. The Applicant maintains a head office at 999 Barton Street, Stoney Creek, Ontario. The Applicant's records are currently located at the offices of Stikeman, Graham, Keeley & Spiegel LLP, located at 220 Bay Street, Suite 700, Toronto, Ontario M5J 2W4.

2. The authorized share capital of the Applicant consists of an unlimited number of common shares, of which 38,203,780 common shares are issued and outstanding as of May 30, 2006. In addition to its common shares, the Applicant has debt securities outstanding. The debt securities of the Applicant consists of an aggregate of $1,256,914 in promissory notes and, including accrued interest, a total of $2,767,034 in convertible debentures. A conversion of the convertible debentures outstanding in accordance with the terms thereof would result in an issue of 19,227,634 common shares of the Applicant on a fully diluted basis.

3. The Applicant is a reporting issuer or the equivalent under the securities legislation of the provinces of Ontario, British Columbia and Alberta. The Applicant is not a reporting issuer in any other jurisdiction in Canada. The Applicant is subject to cease trade orders in the provinces of Alberta and British Columbia.

4. The common shares of the Applicant are listed on the NEX board of the TSX Venture Exchange but have been suspended from trading, and are not listed or quoted on any other exchange or market in Canada or elsewhere.

5. The Cease Trade Order was issued due to the failure by the Applicant to file with the Commission audited annual financial statements and related MD&A for the year ended May 31, 2005 and interim financial statements and related MD&A for the three months ended August 30, 2005 as required by the Act (the **Statements**). The Applicant has further failed to file interim financial statements and related MD&A for the six months ended November 30, 2005 and for the nine months ended February 28, 2006 (together with the Statements, the **Financial Statements**).

6. The Financial Statements were not filed with the Commission due to a lack of funds to pay for the preparation and, in respect of the annual financial statements for the year ended May 31, 2005, audit of such statements.

7. The Applicant intends to complete a private placement (the **Private Placement**) of convertible debentures (the **Debentures**) to an offshore third party lender, Thames Capital (Bermuda) Ltd. and an accredited investor resident in Ontario, in the aggregate amount of approximately $70,000. Distribution of the Debentures will be effected pursuant to National Instrument 45-106 – *Prospectus and Registration Exemptions*. The Private Placement will be completed in accordance with all applicable policies of the NEX board of the TSX Venture Exchange and applicable securities legislation.

8. All of the direct and indirect beneficial owners of Thames Capital (Bermuda) Ltd. are accredited investors resident in Ontario.

9. The Debentures will mature one year from the date of issue, bearing an interest rate at 10% per annum. The Debentures will be convertible into

common shares of the Applicant at a rate of $0.05 per common share.

10. The Applicant will use the proceeds from the Private Placement to complete the audit and filing of the Financial Statements, bring its continuous disclosure records up to date and improve the Applicant's financial position. The Applicant further intends to, within a reasonable time following closing of the Private Placement, apply to the Commission for a full revocation of the Cease Trade Order.

11. As the Private Placement would involve trades of securities and acts in furtherance of trades in connection with the issue by the Applicant of the Debentures in the aggregate amount of $70,000, the Private Placement could not be completed without a partial revocation of the Cease Trade Order.

AND WHEREAS the Director is satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to Section 144 of the Act, that the Cease Trade Order be and is hereby varied solely to permit trades and acts in furtherance of trades in connection with the Private Placement as to the issuance of the Convertible Debentures, but not the conversion thereof, nor as to the issuance of any other securities by the Applicant, provided that:

(a) prior to the issuance of the Debentures the potential investors in the Debentures, and each direct and indirect beneficial owner of the potential investors, as applicable, will:

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

(ii) receive a copy of this Order; and

(iii) receive written notice from the Applicant and acknowledge that all of the Applicant's securities, including the Debentures and any securities of the Applicant issued upon conversion of the Debentures, will remain subject to the Cease Trade order until it is revoked; and

(b) this Order will terminate on the earlier of:

(i) the closing of the Private Placement; and

(ii) 60 days from the date hereof.

"Iva Vranic"
Manager, Corporate Finance
Ontario Securities Commission

2.2.3 Royal Group Technologies Limited

Headnote

Issuer bids resulting from a reorganization involving issuer and a 6.7% shareholder – purpose of reorganization is to allow shareholder to achieve certain tax planning objectives relating to its holdings in the issuer – after reorganization, the issuer will have the same number of shares issued and outstanding, and each shareholder will have the same number of shares and same relative ownership that they owned prior to the reorganization – shareholder to indemnify and reimburse issuer for costs and liabilities associated with reorganization – no adverse economic impact on or prejudice to issuer or public shareholders – Relief from issuer bid requirements granted under clause 104(2)(c) of the Securities Act (Ontario)

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95, 96, 97, 98, 100, 102, 104(2)(c).

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

AND

IN THE MATTER OF
ROYAL GROUP TECHNOLOGIES LIMITED

ORDER

WHEREAS the Ontario Securities Commission (the "Commission") has received an application (the "Application") from Royal Group Technologies Limited ("Royal Group") for an order of the Commission pursuant to subsection 104(2)(c) of the *Securities Act* (Ontario) (the "Act") that Royal Group be exempt from the issuer bid requirements set forth in sections 95, 96, 97, 98, 100 and 102 of the Act and the regulations made thereunder (the "Issuer Bid Requirements") in connection with certain indirect acquisitions by Royal Group of its common shares pursuant to a proposed transaction (the "Transaction") involving De Meneghi Holdings Limited ("DHL");

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

AND WHEREAS Royal Group has represented to the Commission that:

1. Royal Group is a corporation existing under the *Canada Business Corporations Act* (the "CBCA") with its registered and principal office located in Woodbridge, Ontario. Royal Group is a reporting issuer or its equivalent under the securities legislation of each of the provinces of Canada. The common shares of Royal Group are listed on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange (the "NYSE").

2. At the annual and special meeting (the "Meeting") of shareholders of Royal Group held on May 25, 2005, Royal Group received the requisite shareholder approval to, among other things, amend its articles to (i) permit an increase in the stated capital of only its multiple voting shares (the "Multiple Voting Shares"), (ii) remove the Multiple Voting Shares and the subordinate voting shares of Royal Group (the "Subordinate Voting Shares") as well as the rights, privileges, restrictions and conditions attaching thereto, and (iii) to change all of the outstanding Subordinate Voting Shares into common shares of Royal Group (collectively the "Amendments"). In addition, the holder of all outstanding Multiple Voting Shares agreed to convert such shares into Subordinate Voting Shares after the stated capital of the Multiple Voting Shares was increased but prior to the effectiveness of the amendment changing the Subordinate Voting Shares to common shares. A description of the Amendments is set out in the management information circular (the "Circular") of Royal Group dated April 22, 2005 in connection with the Meeting.

3. The increase to the stated capital account of the Multiple Voting Shares increased the adjusted cost base of such shares for Canadian income tax purposes. Royal Group indicated in the Circular that holders of Subordinate Voting Shares would have the opportunity, at their own cost, to effect an increase in the stated capital of their Subordinate Voting Shares by making arrangements to do so with Royal Group.

4. The Amendment changing the Subordinate Voting Shares to common shares of Royal Group was effective on June 27, 2005. Royal Group is authorized to issue an unlimited number of common shares (the "Royal Shares"), of which 93,444,502 Royal Shares were outstanding on May 17, 2006.

5. DHL is a corporation existing under the CBCA and is not a reporting issuer under the Act. The registered office of DHL is located in Concord, Ontario.

6. As of May 17, 2006, DHL owned 6,244,344 Royal Shares, representing approximately 6.7% of the then outstanding Royal Shares.

7. The purpose of the Transaction is to enable DHL to achieve certain tax planning objectives relating to its holdings of the Royal Shares.

8. The proposed Transaction entails the following principal steps:

   (a) DHL will incorporate two corporations ("Holdco1" and "Holdco2" respectively) under the CBCA, with the registered

office of each of such corporation located in Concord, Ontario. The authorized capital of Holdco1 will consist of an unlimited number of common shares and an unlimited number of class A special shares. The authorized capital of Holdco2 will consist of an unlimited number of common shares.

(b) DHL will transfer (the "1st Transfer") all Royal Shares that it currently owns (the "Existing Royal Shares") to Holdco1 in exchange for common shares of Holdco1 (the "Holdco1 Common Shares"). The 1st Transfer will be effected in accordance with section 85(1) of the Income Tax Act (Canada) (the "Tax Act"). Prior to the 1st Transfer, Holdco1 will have no material assets and Holdco1 will have no liabilities at any time.

(c) Holdco1 will declare and pay a series of stock dividends, payable in newly issued class A special shares of Holdco1 (the "Holdco1 Special Shares"), to DHL.

(d) DHL will transfer (the "2nd Transfer") the Holdco1 Special Shares to Holdco2 in exchange for common shares of Holdco2. The 2nd Transfer will be effected in accordance with section 85(1) of the Tax Act. Prior to the 2nd Transfer, Holdco2 will have no material assets and Holdco2 will have no liabilities at any time.

(e) ollowing the 1st Transfer and the 2nd Transfer, DHL will transfer all of the Holdco1 Common Shares to Royal Group in exchange for a number of Royal Shares issued from treasury by Royal Group (the "New DHL Royal Shares"). Such transfer will be effected in accordance with section 85(1) of the Tax Act.

(f) Holdco2 will transfer all of the Holdco1 Special Shares to Royal Group in exchange for a certain number of Royal Shares issued from treasury by Royal Group (the "New Holdco2 Royal Shares" and together with the New DHL Royal Shares referred to as the "New Royal Shares"). Such transfer will be effected in accordance with section 85(1) of the Tax Act.

(g) The number of New DHL Royal Shares and the number of the New Holdco2 Royal Shares will together equal the number of Existing Royal Shares.

(h) Immediately following the acquisition by Royal Group of the Holdco1 Common Shares and the Holdco1 Special Shares, Holdco1 will be liquidated or wound-up pursuant to the provisions of the CBCA into Royal Group (the "Holdco1 Wind-up") and as a consequence thereof, the Existing Royal Shares held by Holdco1 will be acquired and cancelled.

9. With respect to the issue of the New DHL Royal Shares to DHL and the New Holdco2 Royal Shares to Holdco2 as set out in paragraphs 8(e) and (f) above, and conditional on receipt of the relief requested herein, Royal Group intends to rely on the prospectus and registration exemptions set out in section 2.16 of NI 45-106 relating to issuer bids.

10. The Transaction will have no net effect on the aggregate number and relative percentage of Royal Shares and the rights and benefits in respect of such shares beneficially owned by each of DHL and the public shareholders of Royal Group (the “Public Shareholders”).

11. DHL and Holdco2 will be required to enter into a share exchange agreement with Royal Group, in a form and substance satisfactory to Royal Group.

12. All costs and expenses incurred by Royal Group in connection with the Transaction will be paid for by DHL. DHL will indemnify Royal Group, the Public Shareholders from time to time, and the present and future directors and officers of Royal Group from any losses or liabilities which may be incurred by them as a result of the Transaction.

13. After giving effect to the Transaction, Royal Group should not, for Canadian federal and provincial income tax purposes:

(i) realize any income or capital gain;

(ii) have any reduction in the cost of any of its assets; and

(iii) experience an increase in its taxable capital.

14. The Transaction is subject to (i) approval of the steps to be carried out by Royal Group in connection with the Transaction by the directors of Royal Group, (ii) acceptance of the issue and listing of the Royal Shares to be issued in connection with the Transaction by the TSX and the NYSE and (iii) receipt of the relief in this Order.

15. The agreement of Royal Group to acquire all of the Holdco1 Common Shares from DHL and to acquire the Holdco1 Special Shares from Holdco2

(together, the "Holdco1 Offers") will constitute an "issuer bid" within the meaning of the Act and will be subject to the Issuer Bid Requirements as an offer by Royal Group to acquire the Existing Royal Shares owned by Holdco1.

16. The Holdco1 Windup resulting in the cancellation of the Existing Royal Shares (the "Windup Offer") will constitute an issuer bid within the meaning of the Act and will be subject to the Issuer Bid Requirements.

AND WHEREAS the Commission being satisfied that to so order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 104(2)(c) of the Act that Royal Group is exempt from the Issuer Bid Requirements in connection with the Transaction.

“Paul M. Moore”
Commissioner
Ontario Securities Commission

“Wendell S. Wigle”
Commissioner
Ontario Securities Commission

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Chou Associates Management Inc.

IN THE MATTER OF
THE REGISTRATION OF
CHOU ASSOCIATES MANAGEMENT INC.

OPPORTUNITY TO BE HEARD BY THE DIRECTOR
SECTION 26(3) OF THE SECURITIES ACT

Date:	June 1, 2006		
Director:	David M. Gilkes Manager, Registrant Regulation Capital Markets Branch		
Submissions:	Isabelita Chichioco	-	For the staff of the Commission
	James T. Morrow	-	For Chou Associates Management Inc.

Background

1. Chou Associates Management Inc. (CAM) has been registered in Ontario in the categories of Limited Market Dealer, and Investment Counsel and Portfolio Manager since October 1986.

2. CAM was due to file its financial statements with the Ontario Securities Commission (OSC) on March 31, 2006. CAM filed the statements on April 6, 2006.

3. On April 7, 2006 staff of the OSC wrote CAM indicating that a late filing fee was due and that it had recommended that terms and conditions be imposed on CAM's registration.

4. On April 18, 2006 CAM paid the late filing fee.

5. On April 24, 2006 CAM requested an Opportunity to be Heard (OTBH) by the Director pursuant to subsection 26(3) of the *Securities Act* that states:

   (3) Refusal – The Director shall not refuse to grant, renew, reinstate or amend registration or impose terms and conditions thereon without giving the applicant an opportunity to be heard.

6. The OTBH was conducted through written submissions.

Submissions

7. OSC staff focus on three criteria in determining whether an applicant is suitable for registration: proficiency, integrity and financial solvency.

8. Financial statements are the principal tool used by the OSC to monitor a registrant's financial viability and its capital position.

9. The failure to file or late filing of audited financial statements is an important factor in determining the continuing suitability of a registrant. The experience of OSC staff has been that delays in filing statements can be indicative of a serious underlying financial problem with the registrant.

10. Counsel for CAM explained that the delay in filing the statements was a result of a failure of its auditors. According a letter dated April 21, 2006 from Burns Hubley, the financials were filed late because the auditors had a scheduling conflict and they misunderstood NI 81-106.

Decision

11. All registrants are required to meet the filing requirements of the *Securities Act* within the prescribed time limits. The filing of annual audited financial statements is a serious regulatory obligation placed on registrants.

12. When these obligations are not met, OSC staff has regularly recommended that terms and conditions to monitor the financial situation of the firm be imposed on its registration. Only in rare circumstances would this course of action not be followed. A scheduling conflict with CAM's auditors is not a persuasive reason not to impose monitoring terms and conditions.

13. Therefore, the terms and conditions as set out in Schedule A are imposed on the registration of CAM. CAM must continue to meet all requirements under the Act that apply to it as a registrant.

June 1, 2006

"David M. Gilkes"

Schedule A

Terms and Conditions on the Registration of
Chou Associates Management Inc.

1. Chou Associates Management Inc. shall file on a monthly basis with the Compliance section of the Ontario Securities Commission, attention Financial Analyst, effective with the month ending May 31, 2006, the following information:

   a. year-to-date unaudited financial statements, which includes a balance sheet and income statement prepared in accordance with generally accepted accounting principles;

   b. month end calculation of excess free capital;

   no later than three weeks after each month end.

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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
Aurado Energy Inc.	06 Jun 06	16 Jun 06		
ComWest Enterprise Corp.	06 Jun 06	16 Jun 06		
Crystal Graphite Corporation	09 May 06	19 May 06		31 May 06
Datec Group Ltd.	06 Jun 06	16 Jun 06		
Dinnerex National III Limited Partnership	06 Jun 06	16 Jun 06		
Dinnerex National IV Limited Partnership	02 Jun 06	14 Jun 06		
Roman Corporation Limited	23 May 06	2 Jun 06	2 Jun 06	
SAMSys Technologies Inc.	06 Jun 06	16 Jun 06		
World Wide Minerals Ltd.	07 Jun 06	19 Jun 06		

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
Cognos Incorporated	01 Jun 06	14 Jun 06			
Neotel International Inc.	02 Jun 06	15 Jun 06			
Specialty Foods Group Income Fund	04 Apr 06	17 Apr 06	17 Apr 06	05 Jun 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
Airesurf Networks Holdings Inc.	02 May 06	15 May 06	15 May 06		
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Bennett Environmental Inc.	10 Apr 06	24 Apr 06	24 Apr 06		
Big Red Diamond Corporation	03 Mar 06	16 Mar 06	16 Mar 06		
Cognos Incorporated	01 Jun 06	14 Jun 06			
DataMirror Corporation	02 May 06	15 May 06	12 May 06		
Fareport Capital Inc.	13 Sept 05	26 Sept 05	26 Sept 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
Foccini International Inc.	02 May 06	15 May 06	15 May 06		
Genesis Land Development Corp.	11 Apr 06	24 Apr 06	24 Apr 06		
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 05		
HMZ Metals Inc.	03 Apr 06	14 Apr 06	17 Apr 06		
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		
Interquest Incorporated	03 May 06	16 May 06	16 May 06		
Lakefield Marketing Corporation	08 May 06	23 May 06	23 May 06		
MedX Health Corp.	02 May 06	15 May 06	15 May 06		
Mindready Solutions Inc.	06 Apr 06	19 Apr 06	19 Apr 06		
Neotel International Inc.	02 Jun 06	15 Jun 06			
Nortel Networks Corporation	27 Mar 06	10 Apr 06	10 Apr 06		
Nortel Networks Limited	27 Mar 06	10 Apr 06	10 Apr 06		
Novelis Inc.	18 Nov 05	01 Dec 05	01 Dec 05		
ONE Signature Financial Corporation	03 May 06	16 May 06	16 May 06		
Precision Assessment Technology Corporation	07 Apr 06	20 Apr 06	20 Apr 06		
Simplex Solutions Inc.	02 May 06	15 May 06	15 May 06		
Specialty Foods Group Income Fund	04 Apr 06	17 Apr 06	17 Apr 06	05 Jun 06	

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 FORMS 45-106F1 AND FORM 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
05/25/2006	79	Adamus Resources Limited - Common Shares	10,917,400.00	20,000,000.00
05/15/2006	4	Adex Mining Corp. - Debentures	301,810.00	301,810.00
05/18/2006	1	ALL Group Financial Services Inc. - Notes	75,000.00	75,000.00
05/26/2006	1	Alliance Surface Finishing Inc. - Preferred Shares	158,620.00	14,000.00
05/24/2006	186	Alter Nrg Income Fund - Units	3,072,500.00	7,520,000.00
03/28/2006	6	Arctic Star Diamond Corp. - Flow-Through Shares	855,650.40	2,592,880.00
03/13/2006 to 04/28/2006	6	ARISE Technologies Corporation - Units	140,000.00	560,000.00
01/20/2006	24	Avalon Ventures Ltd. - Units	1,575,000.00	3,500,000.00
03/31/2006	5	Bain Capital Fund IX. L.P. - Limited Partnership Interest	35,187,000.00	30,000,000.00
04/07/2006	3	Bain Capital IX Coinvestment Fund L.P. - Limited Partnership Interest	8,148,000.00	7,000,000.00
05/12/2006	11	Benchmark Energy Corp. - Units	546,500.00	1,093,000.00
05/18/2006	135	Bighorn Petroleum Ltd. - Units	3,313,000.00	6,626,000.00
11/17/2005 to 12/09/2005	6	Bioversion Industries Inc. - Common Shares	450,000.00	2,250,000.00
05/11/2006	151	Blue Note Metals Inc. - Units	75,158,526.00	50,105,684.00
12/30/2005	7	Blue Power Energy Corporation - Units	169,500.00	8,475,000.00
05/16/2006	71	Bolcar Energie Inc. - Units	1,750,000.06	10,294,118.00
05/15/2006	19	Bontan Corporation Inc. - Units	3,025,821.00	10,400,000.00
02/10/2006	47	BrazMin Corp. - Units	10,000,000.00	5,000,000.00
05/25/2006	5	Brigadier Gold Limited - Units	134,091.00	26.82
05/19/2006	145	Bronco Energy Ltd. - Common Shares	30,000,000.00	6,750,000.00
05/24/2006	1	Canadian Golden Dragon Resources Ltd. - Common Shares	10,000.00	100,000.00
05/29/2006	3	Canadian Shield Resources Inc. - Units	200,000.00	1,000,000.00
05/16/2006	22	CareVest Blended Mortgage Investment Corporation - Preferred Shares	832,550.00	832,550.00
05/16/2006	17	CareVest First Mortgage Investment Corporation - Preferred Shares	561,959.00	561,959.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
03/16/2006	3	CareVest Second Mortgage Investment Corporation - Preferred Shares	42,340.00	42,340.00
06/27/2006	8	Catalyst Fund Limited Partnership II - Limited Partnership Units	154,817,450.00	146,700.00
05/16/2006 to 05/29/2006	1	CGF Trust - Units	77,715,000.00	8,250,000.00
05/19/2006	7	Clairvest Equity Partners III Limited Partnership - Limited Partnership Units	65,000,000.00	65,000.00
05/02/2006	5	Cloudbreak Resources Ltd. - Units	100,000.00	1,000,000.00
05/19/2006	63	Consolidated Gold Win Ventures Inc. - Non-Flow Through Units	1,500,000.00	13,313,400.00
05/09/2006	1	Copper Ridge Explorations Inc. - Common Shares	10,000.00	100,000.00
05/16/2006	62	Copper Ridge Explorations Inc. - Flow-Through Shares	1,810,719.90	10,059,555.00
05/16/2006	34	Copper Ridge Explorations Inc. - Units	527,000.00	3,100,000.00
02/28/2005 to 05/20/2005	3	Deans Knight Equity Growth Fund - Trust Units	457,907.00	242.30
06/12/2005	1	Deans Knight Income Fund - Trust Units	2,000,000.00	3,071.84
05/18/2006	347	DualEx Energy International Inc - Receipts	12,000,000.00	30,000,000.00
05/24/2006	2	Entourage Mining Ltd. - Flow-Through Shares	93,585.00	340,000.00
05/19/2006	8	Eurohypo Europaeishce Hypothekenbank SA - Bonds	200,000,000.00	200,000,000.00
05/16/2006	81	Exile Resources Inc. - Units	6,591,122.00	13,182,244.00
05/08/2006	75	E.S.I. Environmental Sensors Inc. - Units	3,000,000.00	4,000,000.00
05/11/2006	99	Fairquest Energy Limited - Flow-Through Shares	34,650,000.00	35,000,000.00
05/23/2006	4	Firsthand Technologies Inc. - Preferred Shares	7,831,773.37	5,052,602.00
04/20/2006	6	Foccini International Inc. - Common Shares	150,000.00	3,000,000.00
05/19/2006	5	Fovere Investments (Forecast) Fund I, L.P. - Limited Partnership Units	5,000,000.00	5,000.00
03/21/2006	12	Fresco Microchip Inc. - Preferred Shares	5,958,353.23	5,958,352.00
05/16/2006	1	Gallery Resources Limited - Debentures	110,000.00	110,000.00
05/15/2006 to 05/19/2006	16	General Motors Acceptance Corporation of Canada, Limited - Notes	5,706,322.30	5,706,322.30
05/23/2006 to 05/26/2006	16	General Motors Acceptance Corporation of Canada, Limited - Notes	3,838,544.19	3,838,544.19
05/15/56	1	GEOCOMtms Inc. - Preferred Shares	1.00	N/A
02/25/2006	1	Geophysical Prospecting Inc. - Common Shares	12,500.00	500,000.00
05/17/2006	1	GMO Developed World Equity Investment Fund - Units	91,734.84	3,060.10

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
01/18/2005 to 12/15/2005	27	Greystone US Equity Fund - Units	10,469,227.65	916,629.90
05/18/2006	34	Highview Resources Ltd. - Flow-Through Shares	2,036,000.00	11,800,000.00
05/11/2006	51	Hillsborough Resources Limited - Units	8,582,900.00	7,446,000.00
12/29/2005	1	Hy-drive Technologies Ltd. - Units	2,329,916.00	2,741,078.00
05/18/2006	164	H.K. Migao Industry Limited - Units	18,134,550.00	6,363.00
05/11/2006	15	IG Realty Investments Inc. - Common Shares	3,554,724.70	27,793.00
05/23/2006	2	IGW Properties Limited Partnership 1 - Limited Partnership Units	275,000.00	275,000.00
05/10/2006	74	KKR Private Equity Investors L.P. - Units	99,544,308.00	3,617,600.00
05/11/2006	2	Leasecor Equipment Finance Inc. - Common Shares	1,173,001.50	426,546.00
01/31/2005 to 09/30/2005	2	Leeward Bull & Bear Fund L.P. - Limited Partnership Units	168,771.01	89.00
05/11/2006	26	Leeward Capital Corp. - Units	540,250.00	3,386,666.00
05/05/2006 to 05/19/2006	11	LMS Medical Systems Ltd. - Common Shares	2,500,000.00	1,250,000.00
05/12/2006	2	Macquarie European Infrastructure Fund II - Limited Partnership Interest	107,152,500.00	107,152,500.00
08/05/2005 to 08/28/2005	9	Mavrix Strategic Small Cap Fund - Units	699,673.50	34,925.00
04/03/2006	7	MCAN Performance Strategies - Limited Partnership Units	1,410,975.93	N/A
03/16/2006	1	MedMira Inc. - Units	6,500,000.00	10,833,533.00
05/18/2006	1	Merrill Lynch Canada Finance Company - Units	10,091,700.00	90,000.00
05/18/2006	1	Merrill Lynch Canada Finance Company - Units	5,606,500.00	50,000.00
05/26/2006	147	Minterra Resources Corp. - Common Shares	3,500,000.00	14,000,000.00
05/19/2006	17	Mistral Pharma Inc. - Common Shares	635,300.00	12,706,000.00
02/01/2006	1	Montrachet Investments Limited Partnership - Limited Partnership Units	400,000.00	40,000.00
05/24/2006	3	Mountain Boy Minerals Ltd. - Units	500,000.00	833,332.00
05/12/2006 to 05/18/2006	24	Musicrypt Inc. - Units	682,000.00	3,140,000.00
05/23/2006	25	Newport diversified Hedge Fund - Units	1,888,616.00	15,381.28
05/18/2006	158	Newport Partners Private Growth LP 1 - Units	22,971,000.00	22,971.00
05/17/2006	6	NexgenRx Inc. - Debentures	363,360.00	N/A
05/19/2006	28	Northern Canadian Minerals Inc. - Units	1,456,000.00	2,800,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
05/24/2006	58	Northern Star Mining Corp. - Units	14,300,000.00	13,000,000.00
03/13/2006 to 05/24/2006	8	ONCAP II L.P. - Limited Partnership Interest	56,750,000.00	56,750,000.00
01/16/2006	15	Open EC Technologies Inc. - Common Shares	1,193,607.50	11,936,075.00
05/18/2006	39	Oremex Resources Inc. - Units	6,999,499.00	9,333,333.00
05/24/2006	6	Outlook Resources Inc. - Units	110,000.00	2,200,000.00
05/15/2006	1	Perceptronix Medical Inc. - Units	100,000.00	N/A
05/26/2006	21	Petromin Resources Ltd. - Common Shares	705,000.00	2,350,000.00
05/16/2006	63	PGM Ventures Corporation - Units	30,000,000.00	10,000,000.00
05/16/2006	69	Pheromone Sciences Corp. - Units	2,103,000.00	5,257,500.00
05/18/2006	54	Portal Resources Ltd. - Units	2,766,700.00	2,635,000.00
05/11/2006	72	Powertech Industries Inc. - Units	12,000,000.00	12,000,000.00
05/18/2006	80	Redstone Capital Corp. - Receipts	3,200,000.00	4,000,000.00
05/11/2006	7	Residential Funding of Canada Finance ULC - Notes	250,000,000.00	250,000,000.00
05/17/2006	1	Restore Medical Inc. - Common Shares	2,199,200.00	250,000.00
05/18/2006	66	Ripple Lake Diamonds Inc. - Units	1,256,849.77	5,585,999.00
05/18/2006	22	Rock Thunder Exploration Ltd. - Preferred Shares	2,000,060.82	1,098,951.00
05/18/2006	13	Rolling Thunder Exploration Ltd. - Common Shares	2,499,990.00	1,497,000.00
05/18/2006	33	Rolling Thunder Exploration Ltd. - Flow-Through Shares	5,000,100.00	2,381,000.00
02/13/2006	7	Roxmark Mines Limited - Units	328,400.00	2,736,667.00
03/17/2006	13	Roxmark Mines Limited - Units	856,000.00	7,133,333.00
05/17/2006	3	Rutter Inc. - Common Shares	2,050,000.00	500,000.00
05/17/2006	20	Sable Resources Ltd. - Common Shares	744,520.00	2,127,200.00
05/17/2006	15	Sable Resources Ltd. - Common Shares	266,600.00	2,127,200.00
05/17/2006 to 05/24/2006	25	Saxony Petroleum Inc, - Flow-Through Shares	3,535,000.00	1,010,000.00
05/16/2006	1	SCITI TR Fund - Units	149,410,962.00	15,800,000.00
05/19/2006	1	Serengeti Resources Inc. - Flow-Through Shares	300,000.00	1,000,000.00
05/19/2006	11	Serengeti Resources Inc. - Units	325,000.00	1,300,000.00
05/15/2006	1	SiGe Semiconductor Inc. - Units	691,223.06	992,145.00
05/15/2006	12	SiGe Semiconductor Inc. - Units	4,370,627.93	6,273,368.00
05/17/2006	41	Silk Road Resources Ltd. - Units	3,245,000.00	2,596,000.00
05/17/2006	1	Silverbirch Inc. - Common Shares	30,000.00	150,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
05/19/2006	1	SMART Trust - Notes	801,386.07	N/A
05/03/2006	78	Solitaire Minerals Corp. - Flow-Through Shares	1,216,000.00	4,864,000.00
12/31/2005	7	Solutions Financial Partnership L.P. - Limited Partnership Interest	69,090.00	N/A
05/10/2006	6	Starfield Resources Inc. - Flow-Through Shares	3,621,667.40	5,571,796.00
05/10/2006	6	Starfield Resources Inc. - Units	10,679,985.32	20,150,916.00
05/01/2006	7	Sterling Diversified Fund - Limited Partnership Units	1,723,234.39	1,723,234.39
05/01/2006	1	Sterling Growth Fund - Limited Partnership Units	300,000.00	300,000.00
05/11/2006 to 05/19/2006	18	Stinson Hospitality Inc. - Notes	1,045,000.00	1,045,000.00
05/26/2006 to 05/30/2006	6	Stinson Hospitality Inc. - Notes	597,000.00	597,000.00
06/01/2006	61	Storm Exploration Inc. - Common Shares	15,580,000.00	1,900,000.00
05/16/2006	5	Strait Gold Corporation - Units	131,401.88	750,868.00
05/19/2006	26	Sydney Resource Corporation - Units	4,950,499.26	11,786,903.00
05/10/2006	35	Terraco Gold Corp. - Units	500,000.00	5,000,000.00
05/16/2006	56	The Goldman Sachs Group Inc. - Notes	1,250,000,000.00	1,250,000,000.00
05/18/2006 to 05/25/2006	173	The Marilem Fund - Units	25,795,581.60	2,168,820.00
05/08/2006	90	Tinka Resources Limited - Units	1,257,000.00	4,190,000.00
05/17/2006	69	TriAxon Resources Ltd. - Common Shares	18,000,000.00	7,200,000.00
06/01/2006	8	TriAxon Resources Ltd. - Common Shares	2,260,000.00	904,000.00
06/17/2006	80	Tumi Resources Ltd. - Units	1,957,960.00	3,158,000.00
01/04/2005 to 12/01/2005	46	Turtle Creek Investment Fund - Trust Units	4,119,439.00	373,634.97
01/19/2006	2	Tyhee Development Corp. - Units	262,000.00	1,637,500.00
03/08/2006	54	Tyhee Development Corp. - Units	2,291,999.84	13,482,352.00
05/18/2006	109	Unitech Energy Corp. - Receipts	1,500,000.08	5,555,556.00
05/08/2006	46	Vanguard Exploration Corp. - Flow-Through Shares	3,906,000.00	1,870,000.00
05/16/2006	77	Victoria Resource Corporation - Units	7,500,000.00	10,000,000.00
05/12/2006	218	Vital Energy Ltd. - Common Shares	7,596,205.68	6,334,341.00
12/31/2005	8	VVC Exploration Corp. - Units	85,100.00	141,835.00
05/11/2006	1	Whiterock Real Estate Investment Trust - Units	0.00	39,244.00
05/17/2006	6	Wildrose Resources Ltd. - Units	1,450,000.00	1,000,000.00
05/11/2006 to 05/17/2006	44	Wind River Resources Ltd. - Units	876,249.50	2,503,570.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
05/30/2006	26	Winfield Resources Limited - Units	300,000.00	3,000,000.00
05/29/2006	2	Workgroup Designs Ltd. - Common Shares	75,000.00	1,500,000.00
05/25/2006	30	Xemplar Energy Corp. - Common Shares	7,450,550.15	23,344,429.00
05/20/2006	10	YGC Resources Ltd. - Flow-Through Shares	8,250,000.00	5,500,000.00
09/27/2005	3	ZBx Corporation - Common Shares	20,000.00	20,000.00
05/15/2006	7	ZBx Corporation - Common Shares	339,000.00	339,000.00
09/27/2005	4	ZBx Corporation - Preferred Shares	325,000.00	325,000.00
05/15/2006	1	ZBx Corporation - Preferred Shares	55,000.00	55,000.00
09/27/2005	2	ZBx Corporation - Units	55,000.00	55,000.00
05/15/2006	2	ZBx Corporation - Units	50,000.00	50,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Australian Solomons Gold Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
C$ * - * Common Shares Price: C$ * per Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Dundee Securities Corporation
Paradigm Capital Inc.
Promoter(s):
-
Project #949389

Issuer Name:
Brookfield SoundVest Commodity Services Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated June 1, 2006
Offering Price and Description:
Maximum: $ * (* Units) Price: $10.00 per Unit Minimum Purchase: 200 Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Trilon Securities Corporation
Wellington West Capital Inc.
MGI Securities Inc.
Westwind Partners Inc.
Promoter(s):
Brookfield Investment Funds Management Inc.
Project #951208

Issuer Name:
Claret Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 2, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
$359,636,000.00 (Approximate) Commercial Mortgage Pass Through Certificates, Series 2006-1
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
Canadian Imperial Bank of Commerce
Project #951564

Issuer Name:
Eveready Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$50,000,000.00 - 7.00% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Acumen Capital Finance Partners Limited
Sprott Securities Inc.
Promoter(s):
-
Project #950375

Issuer Name:
First Metals Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 6, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
$10,000,000.00 - through issuance of Units comprised of Common Shares and
Common Share Purchase Warrants Price: $□œ per Unit - and - 9,000,000 Common Shares and 4,500,000 Common Share Purchase Warrants Issuable Upon Exercise of Previously Issued Special Warrants
Underwriter(s) or Distributor(s):
Jennings Capital Inc.
Promoter(s):
Jaycap Equity Inc.
Project #952526

Issuer Name:
Garson Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated May 29, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Qualifying the distribution of 4,491,250 shares of Garson Resources Ltd. to the shareholders of MBMI Resources Inc. on the Record Date by way of a dividend in specie At a deemed price of $0.05 per share
Underwriter(s) or Distributor(s):
-
Promoter(s):
MBMI Resources Inc.
Project #950575

Issuer Name:
GGOF American Value Fund Ltd.
GGOF Asian Growth and Income Fund
GGOF Canadian Balanced Fund
GGOF Canadian Bond Fund
GGOF Emerging Markets Fund
GGOF Enterprise Fund
GGOF European Growth Fund
GGOF Floating Rate Income Fund
GGOF Global Small Cap Fund
GGOF Japanese Value Fund
GGOF RSP Global Bond Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 5, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
F and I Class Units and I Class Shares
Underwriter(s) or Distributor(s):
Guardian Group of Funds Ltd.
Jones Heward Investment Management Inc.
Guardian Group of Funds Ltd.
Promoter(s):
Guardian Group of Funds Ltd.
Project #952281

Issuer Name:
KOLOMBO TECHNOLOGIES LTD.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Minimum Offering: $2,500,000.00 or 3,333,333 common shares; Maximum Offering: $5,000,000.00 or 6,666,666 common shares Price: $0.75 per common share
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
-
Project #950563

Issuer Name:
LTT Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary CPC Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Wellington West Capital Markets Inc.
Promoter(s):
David Patterson
Project #937637

Issuer Name:
Merrill Lynch Canada Finance Company
Merrill Lynch & Co. Canada Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 5, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
Cdn. $5,000,000,000.00 - Medium Term Notes
(Unsecured) Unconditionally guaranteed as to payment of all amounts payable thereunder by Merrill Lynch & Co., Inc.
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
CIBC World Markets Inc.
Desjardins Securities Inc.
Edward Jones
HSBC Securities (Canada) Inc.
Laurentian Bank Securities Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #952259952266

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 5, 2006
Mutual Reliance Review System Receipt dated June 5, 2006
Offering Price and Description:
$543,001,000.00 (Approximate) Commercial Mortgage Pass-Through Certificates, Series 2006-Canada 19
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Credit Suisse Securities (Canada) Inc.
Promoter(s):
-
Project #951995

Issuer Name:
North American Palladium Ltd.
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 5, 2006
Receipted on June 6, 2006
Offering Price and Description:
$ * - 43,772 Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #952509

Issuer Name:
Nuvo Research Inc. (formerly Dimethaid Research Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 5, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
$15,000,000.00 - 37,500,000 Units Each Unit consisting of One Common Share and
One-Third of a Common Share Purchase Warrant Price: $0.40 per Unit
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Versant Partners Inc.
Clarus Securities Inc.
Westwind Partners Inc.
Promoter(s):
-
Project #952272

Issuer Name:
Platmin Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 29, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Cdn.$ * (equal to £ *) * Common Shares Price Cdn.$ * (equal to £ *) per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #948764

Issuer Name:
Rapid Solutions Corporation
Principal Regulator – Alberta
Type and Date:
Preliminary Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Amount: $1,500,000.00 - 4,285,714 Units Price: $0.35 per Unit
Underwriter(s) or Distributor(s):
Standard Securities Capital Corporation
Promoter(s):
Rapid Technology Corporation
Project #949977

Issuer Name:
Royal Utilities Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated June 2, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
$ * - * Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
GMP Securities L.P.
Peters & Co. Limited
Salman Partners Inc.
Promoter(s):
-
Project #936893

Issuer Name:
Sarku Japan Restaurants Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 1, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
C$ * * Units Price C$10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Edjar Holdings Inc.
Project #951299

Issuer Name:
Systems Xcellence Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 5, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
$ * - 3,200,000 Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
UBS Securities Canada Inc.
J.P. Morgan Securities Canada Inc.
William Blair & Company
SunTrust Capital Markets, Inc.
Sprott Securities Inc.
Orion Securities Inc.
Clarus Securities Inc.
Promoter(s):
-
Project #952404

Issuer Name:
True Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$75,000,000.00 - 7.50% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Canaccord Capital Corporation
Firstenergy Capital Corp.
National Bank Financial Inc.
GMP Securities L.P.
Orion Securities Inc.
Raymond James Ltd.
Scotia Capital Inc.
Promoter(s):
-
Project #950696

Issuer Name:
Mutual Fund Units and Class F Units of :
AIC Advantage Fund
AIC Advantage Fund II
AIC American Advantage Fund
AIC Global Advantage Fund
AIC Diversified Canada Fund
AIC Value Fund
AIC World Equity Fund
AIC Global Diversified Fund
AIC Diversified Science & Technology Fund
AIC Canadian Focused Fund
AIC American Focused Fund
AIC Global Focused Fund
AIC Canadian Balanced Fund
AIC American Balanced Fund
AIC Global Balanced Fund
AIC Dividend Income Fund
AIC Bond Fund
AIC Global Bond Fund
AIC Money Market Fund
AIC U.S. Money Market Fund
Mutual Fund Units of:
AIC Diversified Income Portfolio Fund
AIC Balanced Income Portfolio Fund
AIC Balanced Growth Portfolio Fund
AIC Core Growth Portfolio Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 29, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Mutual Fund Units and Class F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
AIC Limited
Project #923249

Issuer Name:
AIM TRIMARK DIALOGUE ALLOCATION FUND
TRIMARK INTEREST FUND
AIM CANADA MONEY MARKET FUND
AIM SHORT-TERM INCOME CLASS OF AIM TRIMARK GLOBAL FUND INC .
TRIMARK U.S. MONEY MARKET FUND
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated May 29, 2006 to the Simplified Prospectuses dated August 12, 2005
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-Promoter(s):
AIM Funds Management Inc.
Project #804561

Issuer Name:
AIM Trimark Canadian Dollar Cash Management Fund
AIM Trimark U.S. Dollar Cash Management Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 29, 2006
Mutual Reliance Review System Receipt dated June 1, 2006
Offering Price and Description:
Series I units
Underwriter(s) or Distributor(s):
-
Promoter(s):
AIM Funds Management Inc.
Project #903177

Issuer Name:
Atlas Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 2, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
$25,500,000.00 - 5,000,000 Common Shares Price: $5.10 per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
Firstenergy Capital Corp.
GMP Securities L.P.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #945542

Issuer Name:
Breaker Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 2, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
$87,500,000.00 - 14,000,000 Subscription Receipts, each representing the right to receive one Class A Share Price: $6.25 per Subscription Receipt
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Tristone Capital Inc.
Wellington West Capital Markets Inc.
Canaccord Capital Corporation
BMO Nesbitt Burns Inc.
Blackmont Capital Inc.
Scotia Capital Inc.
Promoter(s):
P. Daniel O'Neil
Robert Leach
Project #944817

Issuer Name:
Capital Desjardins Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Base Shelf Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$2,000,000,000.00 - Senior Notes
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Desjardins Securities Inc.
Casgrain & Company Ltd.
CIBC World Markets Inc.
Deutsche Bank Securities Ltd.
Laurentian Bank Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #941022

Issuer Name:
Criterion Diversified Commodities Currency Hedged Fund (formerly, Criterion Dow Jones - AIG Commodity Index Fund)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 5, 2006
Mutual Reliance Review System Receipt dated June 5, 2006
Offering Price and Description:
Class A, B, C, D and F Units; Price: Net Asset Value per Unit Minimum Initial Purchase: $500
Underwriter(s) or Distributor(s):
-
Promoter(s):
Criterion Investments Limited
Project #915983

Issuer Name:
Davis + Henderson Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$116,000,500.00 - 6,026,000 Subscription Receipts Price: $19.25 per Subscription Receipt
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #942832

Issuer Name:
DFA CANADIAN CORE EQUITY FUND
DFA U.S. CORE EQUITY FUND
DFA U.S VALUE FUND
DFA U.S. SMALL CAP FUND
DFA INTERNATIONAL CORE EQUITY FUND
DFA INTERNATIONAL VALUE FUND
DFA INTERNATIONAL SMALL CAP FUND
DFA FIVE-YEAR GLOBAL FIXED INCOME FUND
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 1, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Dimensional Fund Advisors Canada Inc.
Project #925329

Issuer Name:
E.D. Smith Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$60,000,000.00 - 7,500,000 Subscription Receipts, each representing the right to receive one Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Genuity Capital Markets G.P.
Clarus Securities Inc.
Canaccord Capital Corporation
Promoter(s):
E.D. Smith & Sons, Limited
Project #942714

Issuer Name:
First Capital Realty Inc.
Principal Regulator - Ontario
Type and Date:
Second Amended and Restated Short Form Base Shelf Prospectus dated June 1, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
$500,000,000.00 - Debt Securities (Senior Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #787363

Issuer Name:
First Capital Realty Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Base Shelf Prospectus dated June 1, 2006
Mutual Reliance Review System Receipt dated June 1, 2006
Offering Price and Description:
628,094 Common Shares Issuable Only Upon Exercise of Warrants Expiring August 31, 2008 and $180,000,000.00 Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #940711

Issuer Name:
Class A Units of:
FRONTIERS CANADIAN SHORT TERM INCOME POOL
Class A, C, and I Units of:
FRONTIERS CANADIAN FIXED INCOME POOL
FRONTIERS CANADIAN MONTHLY INCOME POOL
FRONTIERS CANADIAN EQUITY POOL
FRONTIERS U.S. EQUITY POOL
FRONTIERS INTERNATIONAL EQUITY POOL
FRONTIERS EMERGING MARKETS EQUITY POOL
FRONTIERS GLOBAL BOND POOL
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated May 29, 2006 to the Simplified Prospectuses and Annual Information Forms dated January 20, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CIBC Asset Management Inc.
Project #868139

Issuer Name:
HudBay Minerals Inc.
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Issue of up to 2,054,154 Common Shares upon Early Exercise of Share Purchase Warrants
Underwriter(s) or Distributor(s):
GMP Securities L.P.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #922783

Issuer Name:
A and F Class Units of :
imaxx Money Market Fund
imaxx Canadian Bond Fund
imaxx Canadian Fixed Pay Fund
imaxx Canadian Equity Growth Fund
imaxx Canadian Equity Value Fund
imaxx Canadian Balanced Fund
imaxx Canadian Dividend Fund
imaxx Canadian Small Cap Fund
imaxx US Equity Growth Fund
imaxx US Equity Value Fund
imaxx Global Equity Value Fund
imaxx Global Equity Growth Fund
A Class Units of:
imaxx TOP Conservative Portfolio
imaxx TOP Income Portfolio
imaxx TOP Balanced Portfolio
imaxx TOP Growth Portfolio
imaxx TOP Aggressive Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 31, 2006
Mutual Reliance Review System Receipt dated June 1, 2006
Offering Price and Description:
Trust units and mutual fund trust units at net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
AEGON Fund Management Inc.
Project #928080

Issuer Name:
Impax Energy Services Income Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Blackmont Capital Inc.
Promoter(s):
Impax Management Ltd.
Project #929032

Issuer Name:
John Deere Credit Inc.
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 1, 2006 to the Short Form Base Shelf Prospectus dated April 28, 2006
Mutual Reliance Review System Receipt dated June 2, 2006
Offering Price and Description:
Cdn. $1,250,000,000.00 - Medium Term Notes (Unsecured) Unconditionally guaranteed as to payment of principal, premium (if any), interest and certain other amounts by John Deere Capital Corporation
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #899437

Issuer Name:
Kaboose Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 2, 2006
Mutual Reliance Review System Receipt dated June 5, 2006
Offering Price and Description:
$32,550,000.00 - 23,250,000 Subscription Receipts each representing the right to receive one common share Price: $1.40 per Subscription Receipt
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Dundee Securities Corporation
CIBC World Markets Inc.
Merriman Curhan Ford & Co.
Promoter(s):
-
Project #932288

Issuer Name:
Series A, I and O Securities of :
Keystone AGF Equity Fund
Keystone AIM Trimark Global Equity Fund
Keystone Beutel Goodman Bond Fund
Keystone Bissett Canadian Equity Fund
Keystone Dreman U.S. Value Fund
Keystone Elliott & Page High Income Fund
Series A, F, I and O Securities of :
Keystone Saxon Smaller Companies Fund
Series A, F, G, I and T Securities of :
Keystone Diversified Income Portfolio Fund
Keystone Conservative Portfolio Fund
Keystone Balanced Portfolio Fund
Keystone Balanced Growth Portfolio Fund
Series A, F, G and I Securities of :
Keystone Growth Portfolio Fund
Keystone Maximum Growth Portfolio Fund
Series A, I, O and R Securities of :
Keystone Dynamic Power Small -Cap Capital Class of Mackenzie Financial Capital Corporation
Keystone Templeton International Stock Capital Class of Mackenzie Financial Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 25, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Series A, F, G, I, O, R and T securities @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #927849

Issuer Name:
MINT Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
Offering of 3,660,000 Rights to Subscribe for an Aggregate of up to 1,220,000 Units Subscription Price: Three Rights and $11.75 per Unit
Underwriter(s) or Distributor(s):
Middlefiled Capital Corporation
Promoter(s):
Mint Management Limited
Project #934063

Issuer Name:
Student Transportation of America Ltd.
Student Transportation of America ULC
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 6, 2006
Mutual Reliance Review System Receipt dated June 6, 2006
Offering Price and Description:
$60,025,000.00 - 4,900,000 Income Participating Securities
Price: $12.25 per IPS
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Sprott Securities Inc.
Wellington West Capital Markets Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #943958/943964

Issuer Name:
Sudbury Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated June 5, 2006
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
Charles J. Lilly
Project #919592

Issuer Name:
Tiomin Resources Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 30, 2006
Mutual Reliance Review System Receipt dated June 1, 2006
Offering Price and Description:
$50,000,010.00 - 166,666,700 Subscription Receipts $0.30 per Subscription Receipt
Underwriter(s) or Distributor(s):
Wellington West Capital Markets Inc.
Paradigm Capital Inc.
Jennings Capital Inc.
Promoter(s):
-
Project #935133

Issuer Name:
TUSK Energy Corporation
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 31, 2006
Mutual Reliance Review System Receipt dated May 31, 2006
Offering Price and Description:
$29,971,000.00 - 7,310,000 Common Shares; and
$20,033,500.00 - 3,890,000 Flow-through Shares
Underwriter(s) or Distributor(s):
Orion Securities Inc.
Canaccord Capital Corporation
CIBC World Markets Inc.
Westwind Partners Inc.
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #941234

Issuer Name:
Ecopia BioSciences Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated April 10, 2006
Withdrawn on May 23 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #917087

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Creststreet Securities Limited	Limited Market Dealer	June 5, 2006-
Change in Registration Category	Deutsche Asset Management Canada Limited	**From:** Investment Counsel and Portfolio Manager and Commodity Trading Counsel and Commodity Trading Manager **To:** Investment Counsel and Portfolio Manager and Commodity Trading Counsel & Commodity trading Manager and Limited Market Dealer	June 1, 2006
New Registration	Euroglobal Capital Partners Inc.	Limited Market Dealer	May 31, 2006
New Registration	Beacon Hill Financial Corporation	International Dealer	June 1, 2006
Suspended	Grant Thornton Corporate Finance Inc.	Limited Market Dealer	June 2, 2006

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Sets Date for Shawn Sandink Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR
SHAWN SANDINK HEARING
IN TORONTO, ONTARIO

June 6, 2006 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Shawn Sandink by Notice of Hearing dated April 19, 2006.

As specified in the Notice of Hearing, the first appearance in this proceeding took place on Friday, June 2, 2006 at 10:00 a.m. (Eastern) before a 3-member Hearing Panel of the MFDA Ontario Regional Council.

The commencement of the hearing of this matter on the merits has been scheduled to take place before a Hearing Panel of the Ontario Regional Council on Thursday, June 22, 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 the hearing 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 176 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Jason D. Bennett
Registrar & Assistant Director, Regional Councils
(416) 943-7431 or jbennett@mfda.ca

13.1.2 CDS Notice and Request for Comments – Material Amendments to CDS Procedures Relating to Late Delivery of Collateral

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (CDS)

MATERIAL AMENDMENTS TO CDS PROCEDURES

LATE DELIVERY OF COLLATERAL

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

A proposal to amend The Canadian Depository for Securities Collateral Pledging Procedures was reviewed and accepted by the Risk Advisory Committee in December, 2005. The proposed amendments were subsequently reviewed and accepted by the CDS Risk Committee.

On January 25, 2006, the Audit Committee of the Board of Directors of CDS considered the matter of amendments to CDS Collateral Pledging Procedures. The Audit Committee recommended the amendments to the Board of Directors for Approval, and the latter gave its approval during its meeting on January 26, 2006.

The proposed amendments include changes to CDS Procedures in respect of the collateral administration for domestic collateral pools or participant funds and in respect of participant funds in the New York Link with the National Securities Clearing Corporation (NSCC).

Specifically, these changes include:

Domestically:

- A requirement on CDS to levy a fine on a Participant who fails to meet the current deadline (13h00 Eastern Time) for making required contributions to a collateral pool or participant fund.
- Provision for the automatic suspension of a Participant who does not make the required contributions to a collateral pool or participant fund by an extended deadline of 14h00 Eastern Time.

For the New York Link:

- A requirement on CDS to levy a fine on a Participant who fails to meet the current deadline (13h00 Eastern Time) for making required contributions to the participant fund.
- Provision for the automatic suspension of a Participant who does not make the required contributions to the participant fund by an extended deadline of 14h00 Eastern Time.
- An exception to the automatic suspension of the New York Link Participant who satisfies both of the following two conditions:

    1. The Participant must pledge acceptable collateral equal to the collateral deficiency as of the initial deadline.

    2. The Participant must provide evidence that the instructions for delivery of the required collateral have been completed by the Participant's banker and that the delay in delivery is not due to the Participant's inability to meet the collateral requirement.

B. NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The proposed amendments to the Collateral Pledging Procedures are made with a view to the standardization of treatment of deficiencies of required pledged collateral in participant funds (both domestic and cross-border) and category credit ring collateral pools. The proposed amendments are made as a consequence of changes to CDS Participant Rule 9.1, which now provide for the automatic suspension of a Participant that fails to make its required contributions to a collateral pool or participant fund. CDS Procedures currently require daily collateral requirements to be met by 13h00 Eastern Time; a failure to do so results in the *automatic* suspension of the Participant. The purpose of the proposed amendments is to *require* CDS to levy a fine for collateral requirement deficiencies as of 13h00 Eastern Time and, should such deficiencies not be cured by 14h00 Eastern Time, the automatic suspension of the Participant.

The Proposed Amendments to domestic procedures will be mirrored by amendments to the procedures governing collateral pledging requirements in the New York Link participant fund. In the latter situation, however, Participants will be able to avoid automatic suspension for collateral deficiencies by pledging acceptable collateral to cure the deficiency *and* providing acceptable evidence to CDS that the delay in curing the deficiency is not due to the Participants' inability to meet the collateral requirement.

Finally, proposed amendments to CDS Procedures will institutionalize both a degree of flexibility with respect to pledging of collateral requirements – for Participants – and further reduce systemic risk to CDS in cases where operational issues have prevented a collateral pledge in a cross-border transaction.

C. IMPACT OF PROPOSED AMENDMENTS

CDS Participants, both domestic and those who participate in the New York Link, are impacted in two principal ways: first, the proposed amendments afford a degree of latitude with respect to the pledging of required collateral while at the same time impressing on Participants the importance of their obligations by means of the levied fine; and second, the proposed amendments allow for late delivery without automatic suspension in extraordinary circumstances.

No other impacts to CDS Participants, Market Participants, or the Securities Markets in general, are foreseen.

D. DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to Section 21.1 of the Ontario Securities Act and as a self-regulatory organization by the Autorité des marchés financiers pursuant to Section 169 of the Québec Securities Act. In addition, CDS is deemed to be the clearing house for CDSX, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the Payment Clearing and Settlement Act. The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

CDS Procedure Amendments originate from a number of sources, both internal and external, and may be standalone or consequential amendments. Standalone amendments are most often necessitated by internal systems changes or service enhancements, while consequential amendments stem from amendments to CDS Participant Rules and/or other regulatory requirements. All CDS Procedure Amendments are reviewed and approved by CDS' Strategic Development Review Committee prior to regulatory approval.

E. IMPACT OF PROPOSED AMENDMENTS ON TECHNOLOGICAL SYSTEMS

An analysis of the impact of the proposed amendments on CDS' technological systems has determined that the implementation of these amendments will have no material impact on such systems and that, consequently, no systems changes will be required. Further, the proposed amendments will not require changes to the technological systems of Participants or other market participants.

F. COMPARISON TO OTHER CLEARING AGENCIES

The proposed amendments have been compared to the rules and procedures of other clearing agencies and were found similar thereto. Addendum P of the National Securities Clearing Corporation (NSCC) Rules, for example, includes a graded scale of fines to be levied in the case of the late satisfaction of a clearing fund deficiency call. CDS' proposed amendments do not take into account the number of occurrences of late satisfaction, for two reasons: first, the proposed amendments are made with a view to simplifying CDS procedures as much as possible; and second, the facilities and technology to track the number of times a participant misses the deadline for a collateral contribution do not currently exist within CDS' technological systems. Finally, the proposed timeline for fines and subsequent suspension are a relatively rare occurrence, and introducing the level of complexity inherent in a sliding scale for fines would counteract the benefit of the simple fine and suspension procedure proposed.

G. PUBLIC INTEREST ASSESSMENT

An analysis of the impact of the proposed amendments on the Participant Procedures has determined that the implementation of these amendments would not be contrary to the public interest.

H. COMMENTS

Comments on the proposed amendments should be in writing and delivered by July 10, 2006 and delivered to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

A copy should also be provided to the Ontario Securities Commission by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario, M5H 3S8

Fax: 416-595-8940
e-mail: cpetlock@osc.gov.on.ca

CDS will make available to the public, upon request, copies of comments received during the comment period.

I. PROPOSED PROCEDURE AMENDMENTS

Appendix "A" contains text of current CDS Participant Procedure marked to reflect proposed amendments as well as text of these procedures reflecting the adoption of the proposed amendments.

J. QUESTIONS

Questions regarding this notice may be directed to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

JAMIE ANDERSON
Senior Legal Counsel

APPENDIX "A"

PROPOSED PROCEDURE AMENDMENT

Text of CDS Procedures marked to reflect proposed amendments	Text CDS Procedures reflecting the adoption of proposed amendments
CHAPTER 13 – COLLATERAL ADMINISTRATION (Participating in CDS Services, Release 3.1) Each participant designates a collateral administrator who is responsible for maintaining their collateral pool or participant fund. ~~All collateral requirements must be in place by 1:00 p.m. ET (11:00 a.m. MT,10:00 a.m. PT) each day. If CDS does not receive the additional contribution by the specified deadline, the participant is suspended. At all times, participants are required to maintain with CDS an amount of collateral that is at least equal to their required collateral pool or participant fund contribution.~~ At all times, participants are required to maintain with CDS an amount of collateral that is at least equal to their required collateral pool or participant fund contribution. All collateral requirements must be in place by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) each day. If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended. …	CHAPTER 13 – COLLATERAL ADMINISTRATION (Participating in CDS Services, Release 3.1) Each participant designates a collateral administrator who is responsible for maintaining their collateral pool or participant fund. At all times, participants are required to maintain with CDS an amount of collateral that is at least equal to their required collateral pool or participant fund contribution. All collateral requirements must be in place by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) each day. If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended. …
15.6.2 CNS and ACCESS collateral requirements … ~~Participants must contribute sufficient collateral to their participant fund by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT). If a required additional contribution is not received at CDS by the deadline, the participant is suspended.~~ Participants must contribute sufficient collateral to their participant fund by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT). If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended.	15.6.2 CNS and ACCESS collateral requirements … Participants must contribute sufficient collateral to their participant fund by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT). If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended.
16.1 DetNet margin collateral … The DetNet Margin report lists the value of a participant's required margin contribution, which they must deliver to CDS by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) on the following business day. If a required contribution is not received at CDS by the deadline, the participant is fined. If the contribution is not provided by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended.	16.1 DetNet margin collateral … The DetNet Margin report lists the value of a participant's required margin contribution, which they must deliver to CDS by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) on the following business day. If a required contribution is not received at CDS by the deadline, the participant is fined. If the contribution is not provided by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended.

Text of CDS Procedures marked to reflect proposed amendments	Text CDS Procedures reflecting the adoption of proposed amendments
CHAPTER 5 – NEW YORK LINK PARTICIPANT FUNDS (New York Link Participant Procedures, Release 22.0) Making additional contributions … ~~The provision of collateral must be completed before 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT).~~ ~~If a required additional contribution is not received by CDS by the specified deadline, the participant is suspended.~~ All collateral requirements must be in place by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) each day. If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended. To avoid suspension, the participant must meet both of the following conditions: • Pledge acceptable collateral that is equal to the current collateral deficiency. • Provide evidence that the instructions for the delivery of the participant's required collateral has been completed by their banker and that the delay is not due to their inability to meet the collateral requirements.	CHAPTER 5 – NEW YORK LINK PARTICIPANT FUNDS (New York Link Participant Procedures, Release 22.0) Making additional contributions … All collateral requirements must be in place by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) each day. If CDS does not receive the required contribution by the specified deadline, the participant is fined. If the contribution is still outstanding by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT), the participant is suspended. To avoid suspension, the participant must meet both of the following conditions: • Pledge acceptable collateral that is equal to the current collateral deficiency. • Provide evidence that the instructions for the delivery of the participant's required collateral has been completed by their banker and that the delay is not due to their inability to meet the collateral requirements.

13.1.3 CDS Notice and Request for Comments – Material Amendments to CDS Procedures Relating to Mark-to-Market Component of Continuous Net Settlement Collateral Requirement

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (CDS)

MATERIAL AMENDMENTS TO CDS PROCEDURES

MARK-TO-MARKET COMPONENT OF CONTINUOUS NET SETTLEMENT COLLATERAL REQUIREMENT

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

On April 27th, 2006, the Board of Directors of CDS approved material amendments to CDS Procedures for submission to CDS' regulators. The proposed amendments to the Procedures will affect the calculation of the Mark-to-Market component (the MTM Component) of the Continuous Net Settlement (CNS) Collateral Requirement. CDS proposes to amend a portion of the calculation of collateral requirements in order that the collateral requirement be based on the 'unpaid' Mark rather than the original calculated Mark.

The MTM component of the participant fund will be calculated using the largest unpaid mark by a given participant in the previous fifty (50) days, and is used to address the risk of default prior to delivery of a required mark to a CDS Participant fund. CDS determined that the use of the trailing fifty day period provides approximately ninety-nine percent (99%) confidence that the calculated value of the MTM component will cover the risk of a defaulting Participant failing to pay a Mark.

B. NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The proposed amendment to CDS Procedures will add details to the following areas of the Procedures: first, the proposed amendments specify that the MTM (Mark-to-Market) process addresses not only the potential difference between the original trade price and the current price but, in the case of an outstanding position, the potential difference between the most recent mark price and the current price; second, the proposed amendments address the Mark-to-Market pro-rating calculation; and third, the proposed amendments detail the historical period which is surveyed to determine the largest unpaid mark.

The MTM Component of the CNS Collateral Requirements is based on the closing price for a particular security as of the day prior to the value date, and the daily mark-to-market payment exchange is included in CDSX daily processes. A mark-to-market payment can, in a T+3 settlement environment, represent up to three days of price changes to the security being marked.

Once positive and negative marks (as the case may be, depending on whether the price of a security is higher or lower than the original price, when marked) are netted out (a positive mark serves to reduce a negative one and, therefore, the exposure of a participant fund to that risk) and subsequent sales and/or funds credits are taken into account, the residual exposure is the 'unpaid' mark. Since unpaid marks are not specified by service within CDSX, the MTM Component of the mark must be pro-rated from the whole. The calculation for this pro-rating is as follows:

$$\frac{\left(CNS\ \ CAD\ \ net\ \ mark\ \ amount\ \right)+\left(Buy-in\ \ washout\ \ \ CAD\ \ net\ \ mark\ \ amount\ \right)}{\left(Total\ \ net\ \ mark\ \ amount\ ^{1}\right)}\ X\ \ CAD\ \ unpaid\ \ \ mark$$

[1]Total net mark amount = (CNS CAD net mark amount + DetNet CAD net mark amount + buy-in washout CAD net mark amount).

The proposed amendments will allow for increased accuracy and efficiency in the calculation of collateral requirements for the CNS function. In addition, the use of the 'unpaid' mark will reduce the total participant fund requirements for both CNS and DetNet while maintaining the required confidence levels with respect to coverage of possible losses to those funds.

C. IMPACT OF PROPOSED AMENDMENTS

The current calculation is based on the original calculated mark, and not on the portion of that mark that remains unpaid. The latter represents the actual risk to the participant fund, whereas the former overstates the risk to the participant fund and results in the over-collateralization of that risk. The proposed amendments take into account both the nature of the two principal risks and the actual rather than theoretical risk to the participant funds while maintaining a confidence level which exceeds the 99% confidence level with respect to the coverage of potential loss to the participant fund.

There is no cost impact for compliance with the change to the collateral calculation and the decrease in collateral requirement continues to meet the 99% confidence level. The reduction in collateral requirements will not be evenly distributed across CNS participants since the decrease in collateral requirements is based on the risk that each CNS participant poses to the CNS Participant Fund. Although the change to the collateral calculations maintains a 99% confidence level, the proposed amendment increases the potential exposure of the survivors of a default of a CNS participant.

D. DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to Section 21.1 of the Ontario Securities Act and as a self-regulatory organization by the Autorité des marchés financiers pursuant to Section 169 of the Québec Securities Act. In addition, CDS is deemed to be the clearing house for CDSX, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the Payment Clearing and Settlement Act. The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

CDS Procedure Amendments originate from a number of sources, both internal and external, and may be standalone or consequential amendments. Standalone amendments are most often necessitated by internal systems changes or service enhancements, while consequential amendments stem from amendments to CDS Participant Rules and/or other regulatory requirements. All CDS Procedure Amendments are reviewed and approved by CDS' Strategic Development Review Committee prior to submission for regulatory approval.

E. IMPACT OF PROPOSED AMENDMENTS ON TECHNOLOGICAL SYSTEMS

An analysis has determined that the only material impact of the implementation of the proposed amendments will be a revision of calculation referred to above within CDSX. No other impacts are foreseen.

F. COMPARISON TO OTHER CLEARING AGENCIES

The specifics of the calculation of the CNS Participant Fund collateral requirements are unique to CDS and, as such, cannot readily be compared to the operations of other clearing agencies.

G. PUBLIC INTEREST ASSESSMENT

An analysis of the impact of the proposed amendments on the Participant Procedures and CDS technological systems has determined that the implementation of these amendments would not be contrary to the public interest.

H. COMMENTS

Comments on the proposed amendments should be in writing and delivered by July 10, 2006 and delivered to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

A copy should also be provided to the Ontario Securities Commission by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario, M5H 3S8

Fax: 416-595-8940
e-mail: cpetlock@osc.gov.on.ca

CDS will make available to the public, upon request, copies of comments received during the comment period.

I. PROPOSED PROCEDURE AMENDMENTS

Appendix "A" contains text of current CDS Participant Procedure marked to reflect proposed amendments as well as text of these procedures reflecting the adoption of the proposed amendments.

J. QUESTIONS

Questions regarding this notice may be directed to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

JAMIE ANDERSON
Senior Legal Counsel

APPENDIX "A"

PROPOSED RULE AMENDMENT

Text of CDS Participant Rules marked to reflect proposed amendments	Text CDS Participant Rules reflecting the adoption of proposed amendments
15.5 Mark-to-market component	**15.5 Mark-to-market component**
CDS applies a mark-to-market to all trades and outstanding positions for the central counterparty services. This mark-to-market process addresses the potential loss from the original trade price to the current price, or from the last mark price to the current price for outstanding positions. CDS marks trades for the first time at netting and novation (e.g., the evening of T+2 for equities in CNS) and continues to mark daily until the position is settled or the outstanding position is cleared.	CDS applies a mark-to-market to all trades and outstanding positions for the central counterparty services. This mark-to-market process addresses the potential loss from the original trade price to the current price, or from the last mark price to the current price for outstanding positions. CDS marks trades for the first time at netting and novation (e.g., the evening of T+2 for equities in CNS) and continues to mark daily until the position is settled or the outstanding position is cleared.
~~CDS applies a mark~~Mark-to-~~market~~ markets are applied to all CNS ~~and ACCESS~~ trades and outstanding positions in each security based on the closing price available for that security as of the day prior to value date (typically the closing price on T+2). The daily mark-to-market payment exchange is included in the daily processes of CDSX. In a T+3 environment where CDS nets and novates CNS trades on the evening of T+2, the mark-to-market payment can represent as much as three days of price movement.	Mark-to-markets are applied to all CNS trades and outstanding positions in each security based on the closing price available for that security as of the day prior to value date (typically the closing price on T+2). The daily mark-to-market payment exchange is included in the daily processes of CDSX. In a T+3 environment where CDS nets and novates CNS trades on the evening of T+2, the mark-to-market payment can represent as much as three days of price movement.
Since a participant's CNS mark is calculated and applied to the participant's funds accounts during the early morning batch settlement process in CDSX (i.e., at around 5:00 a.m. ET, 3:00 a.m. MT, 2:00 a.m. PT), the entry to a participant's funds account occurs prior to CDS having an opportunity to receive additional collateral from the participant.	Since a participant's CNS mark is calculated and applied to the participant's funds accounts during the early morning batch settlement process in CDSX (i.e., at around 5:00 a.m. ET, 3:00 a.m. MT, 2:00 a.m. PT), the entry to a participant's funds account occurs prior to CDS having an opportunity to receive additional collateral from the participant.
Mark-to-market pro-rating	**Mark-to-market pro-rating**
Both positive and negative marks from CNS and DetNet are applied to a participant's funds account. In CDSX, a participant may have a negative mark applied to their funds account, however, subsequent sales or funds credits reduce the mark owing to CDS. Repayment of the negative mark reduces the exposure of the participant funds to the negative mark obligation of the participant.	Both positive and negative marks from CNS and DetNet are applied to a participant's funds account. In CDSX, a participant may have a negative mark applied to their funds account, however, subsequent sales or funds credits reduce the mark owing to CDS. Repayment of the negative mark reduces the exposure of the participant funds to the negative mark obligation of the participant.
The residual exposure is called the unpaid mark. In CDSX, unpaid marks are not specified by the service (e.g., CNS, DetNet) and as a result, must be prorated. The unpaid mark provides the mark-to-market component of the collateral requirements.	The residual exposure is called the unpaid mark. In CDSX, unpaid marks are not specified by the service (e.g., CNS, DetNet) and as a result, must be prorated. The unpaid mark provides the mark-to-market component of the collateral requirements.
The unpaid mark is pro-rated using the following calculation:	The unpaid mark is pro-rated using the following calculation:
$\frac{\text{CNS CAD net mark amount} + \text{Buy-in washout CAD net mark amount}}{\text{Total net mark amount}^1} \times \text{CAD unpaid mark}$	$\frac{\text{CNS CAD net mark amount} + \text{Buy-in washout CAD net mark amount}}{\text{Total net mark amount}^1} \times \text{CAD unpaid mark}$
[1] Total net mark amount = CNS CAD net mark amount + DetNet CAD net mark amount + buy-in washout CAD net mark amount.	[1] Total net mark amount = CNS CAD net mark amount + DetNet CAD net mark amount + buy-in washout

Text of CDS Participant Rules marked to reflect proposed amendments	Text CDS Participant Rules reflecting the adoption of proposed amendments
For more information on buy-in washouts, refer to *Trade and Settlement Procedures.* **Mark-to-market in collateral requirements** The mark-to-market component of the participant fund is calculated using the largest unpaid mark paid by the participant in the last 50 days. The calculation is used to address the risk that a default may occur prior to the participant delivering their required contribution to CDS. The ~~mark-to-market component is the largest of the participant's mark-to-market payments paid to or received from CDS in the last 50 business days, including the current day for which the calculation is being made. The calculation is used to address the risk that a default may occur prior to the participant delivering their required contribution to CDS. Since the marks are based on the participant's CNS outstanding positions and the movements in market prices, a participant is just as likely, on a given day, to owe CDS a mark as to be owed a mark. The~~ use of 50 business days as the historical look-back period provides approximately 99 per cent confidence that the mark-to-market component will cover the risk of a defaulter failing to pay a mark. This is consistent with the coverage provided by the outstanding positions component of the fund.	CAD net mark amount. For more information on buy-in washouts, refer to *Trade and Settlement Procedures.* **Mark-to-market in collateral requirements** The mark-to-market component of the participant fund is calculated using the largest unpaid mark paid by the participant in the last 50 days. The calculation is used to address the risk that a default may occur prior to the participant delivering their required contribution to CDS. The use of 50 business days as the historical look-back period provides approximately 99 per cent confidence that the mark-to-market component will cover the risk of a defaulter failing to pay a mark. This is consistent with the coverage provided by the outstanding positions component of the fund.

13.1.4 CDS Notice and Request for Comments – Material Amendments to CDS Procedures Relating to CCP Collateral Requirements for Withdrawing Participant

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (CDS)

MATERIAL AMENDMENTS TO CDS PROCEDURES

CCP COLLATERAL REQUIREMENTS FOR WITHDRAWING PARTICIPANT

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

The current Survivor Withdrawal option allows a CDS Participant to withdraw from a Central Counterparty (CCP) service by providing an additional four hundred percent (400%) of their current collateral requirement to the CCP service Participant Fund. The proposed amendment to CDS Procedures is intended to maintain a level of protection against a potential collateral shortfall comparable to the current level, taking into account recent changes to the collateral calculation for CCP services, by increasing the withdrawal collateral contribution to five hundred percent (500%) of a Participant's current collateral requirement. The proposed amendment has been reviewed and approved by CDS' Risk Advisory Committee.

B. NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The proposed amendment to the survivor withdrawal collateral requirement is requested subsequent to a recent change in the collateral calculation for CCP services. The change to the collateral calculation resulted in an expected reduction in Participant collateral requirements of between 20% and 30%. CDS has determined that requiring a withdrawing survivor to contribute 500% of their current collateral requirement to the CCP service Participant Fund will provide protection against un-collateralized losses to the Participant Fund that is comparable to the current level of protection against such an event.

C. IMPACT OF PROPOSED AMENDMENTS

The proposed amendment will increase the survivor withdrawal collateral requirement by 25%. This increased withdrawal collateral burden is effectively set-off against the 20% to 30% reduction in CCP service collateral requirements. The increase is necessary in order to provide a high degree of certainty that the CCP service Participant Funds will be able to cover un-collateralized losses. For instance, a situation may arise in which the default of a single Participant results in the withdrawal of all surviving members of that CCP service. In such an event, losses would have to be covered by a) the collateral of the defaulting Participant, b) the collateral and withdrawal collateral of the surviving Participants, and c) available collateral. Testing by CDS' Risk Management department has determined that, at the reduced collateral levels resulting from the 2005 amendment to the collateral requirements calculation, a 400% withdrawal contribution would provide sufficient coverage for only 85% of all stress events. A 500% withdrawal contribution will provide such coverage for 91% of all stress events, and the protection is bolstered by the conservative assumptions inherent to the analysis.

D. DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to Section 21.1 of the Ontario Securities Act and as a self-regulatory organization by the Autorité des marchés financiers pursuant to Section 169 of the Québec Securities Act. In addition, CDS is deemed to be the clearing house for CDSX, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the Payment Clearing and Settlement Act. The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

CDS Procedure Amendments originate from a number of sources, both internal and external, and may be standalone or consequential amendments. Standalone amendments are most often require as a result of internal systems changes or service enhancements, while consequential amendments stem from amendments to CDS Participant Rules and/or other regulatory requirements. All CDS Procedure Amendments are reviewed and approved by CDS' Strategic Development Review Committee prior to regulatory approval.

E. IMPACT OF PROPOSED AMENDMENTS ON TECHNOLOGICAL SYSTEMS

CDS has determined that the proposed amendments will have no impact on its technological systems or those of its Participants.

F. COMPARISON TO OTHER CLEARING AGENCIES

Participants who use CDS services must be a member of a Fund established for that Function, and is a part of a Fund Credit Ring. Further, depending on a Participant's category, it must also be a member of a Category Credit Ring. In this way, the Risk of default within a Fund or Category Credit Ring is reduced. The unique structure of CDS' risk model, however, reduces the utility of a comparison to the risk mitigation strategies of other clearing agencies whose own risk model may differ significantly from CDS'.

G. PUBLIC INTEREST ASSESSMENT

In analyzing the impact of the proposed amendments to the Participant rules, CDS has determined that the implementation of these amendments would not be contrary to the public interest.

H. COMMENTS

Comments on the proposed amendments should be in writing and delivered by July 10, 2006 and delivered to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

A copy should also be provided to the Ontario Securities Commission by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario, M5H 3S8

Fax: 416-595-8940
e-mail: cpetlock@osc.gov.on.ca

CDS will make available to the public, upon request, copies of comments received during the comment period.

I. PROPOSED PROCEDURE AMENDMENTS

Appendix "A" contains text of current CDS Participant Procedure marked to reflect proposed amendments as well as text of these procedures reflecting the adoption of the proposed amendments.

J. QUESTIONS

Questions regarding this notice may be directed to:

Tony Hoffmann
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

JAMIE ANDERSON
Senior Legal Counsel

APPENDIX "A"

PROPOSED RULE AMENDMENT

Text of CDS Participant Rules marked to reflect proposed amendments	Text CDS Participant Rules reflecting the adoption of proposed amendments
17.1 CCP survivor withdrawal	**17.1 CCP survivor withdrawal**
The CCP survivor withdrawal option is a mechanism that enables participants in a central counterparty service to limit the loss allocation they are responsible for by withdrawing from the service when one or more members of the service defaults. This option is applicable only in the event of a default and does not affect the normal non-default withdrawal of a participant from a central counterparty service.	The CCP survivor withdrawal option is a mechanism that enables participants in a central counterparty service to limit the loss allocation they are responsible for by withdrawing from the service when one or more members of the service defaults. This option is applicable only in the event of a default and does not affect the normal non-default withdrawal of a participant from a central counterparty service.
The following rules and restrictions govern a survivor's withdrawal from a central counterparty service:	The following rules and restrictions govern a survivor's withdrawal from a central counterparty service:
…	…
• A participant must pledge an additional ~~400~~500 per cent of their collateral requirement in that CCP service to CDS on the day of withdrawal.	• A participant must pledge an additional 500 per cent of their collateral requirement in that CCP service to CDS on the day of withdrawal.
…	…
Following a default:	Following a default:
…	…
4. By 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) on the effective date of withdrawal, the participant must deliver the required collateral (the current business day's requirement plus the special margin amount) owed to CDS in the Collateral Management System. The special margin amount is ~~four~~ five times the current business day's collateral requirement for the service the participant is withdrawing from.	4. By 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT) on the effective date of withdrawal, the participant must deliver the required collateral (the current business day's requirement plus the special margin amount) owed to CDS in the Collateral Management System. The special margin amount is five times the current business day's collateral requirement for the service the participant is withdrawing from.
…	…

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