

The Ontario Securities Commission

# OSC Bulletin

July 7, 2006

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

**The Ontario Securities Commission**

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## Chapter 1

# Notices / News Releases

### 1.1 Notices

#### 1.1.1 Current Proceedings Before The Ontario Securities Commission

**JULY 07, 2006**

#### CURRENT PROCEEDINGS

**BEFORE**

#### ONTARIO SECURITIES COMMISSION

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

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

### SCHEDULED OSC HEARINGS

July 13, 2006		<b>Maitland Capital Ltd et al</b>
2:00 p.m.		s. 127 and 127.1
		D. Ferris in attendance for Staff
		Panel: PMM/ST
July 13, 2006		<b>First Global Ventures, S.A. and Allen Grossman</b>
2:00 p.m.		s. 127
		D. Ferris in attendance for Staff
		Panel: PMM/ST
July 25, 2006		<b>Jose Castaneda</b>
2:30 p.m.		s. 127 and 127.1
		T. Hodgson in attendance for Staff
		Panel: WSW
July 31, 2006		<b>Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton</b>
10:00 a.m.		s. 127
		J. Cotte in attendance for Staff
		Panel: TBA
August 8, 2006		<b>Momentas Corporation, Howard Rash and Alexander Funt</b>
2:30 p.m.		S. 127
		P. Foy in attendance for Staff
		Panel: WSW/RWD/CSP

Notices / News Releases

September 13, 2006	<b>Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels</b>	TBA	<b>Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig</b>
10:00 a.m.	s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST		s. 127 J. Waechter in attendance for Staff Panel: TBA
September 21, 2006	<b>Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)</b>	TBA	<b>John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir</b>
10:00 a.m.	s.127 and 127.1 D. Ferris in attendance for Staff Panel: SWJ/ST		S. 127 & 127.1 K. Manarin in attendance for Staff Panel: TBA
October 19, 2006	<b>Euston Capital Corporation and George Schwartz</b>	TBA	<b>Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boulton and Peter Y. Atkinson</b>
10:00 a.m.	s. 127 Y. Chisholm in attendance for Staff Panel: WSW/ST		s.127 J. Superina in attendance for Staff Panel: TBA
October 20, 2006	<b>Olympus United Group Inc.</b>	TBA	<b>Philip Services Corp., Allen Fracassi**, Philip Fracassi**, Marvin Boughton**, Graham Hoey**, Colin Soule*, Robert Waxman and John Woodcroft**</b>
10:00 a.m.	s.127 M. MacKewn in attendance for Staff Panel: TBA		s. 127 K. Manarin & J. Cotte in attendance for Staff Panel: TBA
October 20, 2006	<b>Norshield Asset Management (Canada) Ltd.</b>		
10:00 a.m.	s.127 M. MacKewn in attendance for Staff Panel: TBA		
TBA	<b>Yama Abdullah Yaqeen</b>	TBA	<b>Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited</b>
	s. 8(2) J. Superina in attendance for Staff Panel: TBA		S. 127
TBA	<b>Cornwall et al</b>		T. Hodgson in attendance for Staff Panel: TBA
	s. 127 K. Manarin in attendance for Staff Panel: TBA		

\* Settled November 25, 2005

\*\* Settled March 3, 2006

TBA            **Portus Alternative Asset  
Management Inc., Portus Asset  
Management Inc., Boaz Manor,  
Michael Mendelson, Michael  
Labanowich and John Ogg**

s. 127

M. MacKewn & T. Hodgson for Staff

Panel: TBA

TBA            **Bennett Environmental Inc.\*, John  
Bennett, Richard Stern, Robert  
Griffiths and Allan Bulckaert\***

J. Cotte in attendance for Staff

Panel: TBA

\* settled June 20, 2006

**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 CSA Notice 46-303 - Principal Protected Notes

## CANADIAN SECURITIES ADMINISTRATORS' NOTICE 46-303 PRINCIPAL PROTECTED NOTES

### What is the purpose of this notice?

This notice details the concerns of the Canadian Securities Administrators (CSA) about the distribution and sale of Principal Protected Notes (PPNs) and the CSA's proposed course of action.

### What is a PPN?

A PPN is an investment product that offers an investor potential returns based on the performance of an underlying investment and a guarantee that the investor will receive, on maturity of the PPN, not less than the principal amount invested. For the purpose of this notice, PPNs include the instruments commonly described as market-linked GICs (Market-Linked GICs) and linked notes (Linked Notes). Market-Linked GICs are described as term deposits that guarantee principal through a CDIC-insured (or equivalent) deposit-taking institution or insurance company, with a return linked to a number of underlying investments, including stock market indices, mutual funds or hedge funds. Linked Notes are described as debt instruments that provide a principal guarantee through the credit-worthiness of the issuer, with returns linked to a variety of underlying investments, including stock market indices, mutual funds, and hedge funds.

### What concerns us about PPNs?

#### *Background*

The CSA is focussing on the structure and distribution of PPNs because of the recent significant growth in the sale of PPNs to retail investors and the development of increasingly complex structures that pose investment risks that investors may not be fully informed about.

According to the Spring 2005 Investor Economics Report on Market-Linked Instruments, as of December 2004, \$21 billion in assets was invested in these investment products, comprised of:

- \$15.7 billion in Market-Linked GICs; and
- \$5.3 billion in Linked Notes.

By way of comparison, in December 1999, only \$9.4 billion was invested in market-linked instruments. From December 1999 to December 2004, the number of market-linked instruments also increased from 67 to 282, and the number of product sponsors (the primary developer and marketer of the product) increased from 20 to 44.

Moreover, the market for PPNs linked to hedge funds has grown steadily from 1999 to 2005. In 1999, 7.5% of the PPN market was invested in hedge-fund linked products. By March, 2005, 24% of the market was invested in these products.<sup>1</sup>

In addition, recent types of PPN products are more complex and pose investment risks that investors may not be fully informed about. The component of each product not covered by the principal protection guarantee has a different degree of risk, which depends on the underlying investment linked to the notes. In some cases, the underlying investment is a hedge fund, fund of funds, or managed futures. Therefore, through the sale of PPNs, intermediaries are selling retail investors products with investment risks that are more like those risks associated with alternative asset classes otherwise not accessible to retail investors without a prospectus.

#### *Our Key Concerns*

We understand that many types of PPNs are sold without a prospectus under the prospectus exemption for guaranteed debt<sup>2</sup> or on the basis that they fall outside the scope of provincial securities legislation<sup>3</sup>. Many types of PPNs are more complex and pose more investment risks than the type of product that was contemplated when securities legislation was enacted excluding financial institution deposits from securities regulation and exempting guaranteed debt instruments. Our key concerns about PPN disclosure materials and how PPNs are being sold are:

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<sup>1</sup> Spring 2005 Investor Economics Report on Market-Linked Instruments, Volume 2, section 2, page 22.

<sup>2</sup> See section 2.34 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

<sup>3</sup> Or, in Québec, also under an applicable exemption (see section 3(9) of the *Securities Act* (Québec)).



1. *Disclosure* – We are concerned that investors are not getting sufficient disclosure to allow them to make an informed investment decision. They are not getting sufficient disclosure about how PPNs are structured, how they work, and the fees and investment risks associated with them. Some of our more specific disclosure-related concerns are:

*Disclosure documents and marketing materials* - We are concerned that investors may not be getting sufficient disclosure about PPNs, whether in an information statement, offering memorandum, prospectus, or in sales and marketing materials. Some examples are:

- Sales and marketing materials contained poor or overly-promotional presentation of performance returns. For instance, they provided
  - disclosure about the potential upside return of the investment without providing sufficient information to allow an investor to understand how much the underlying investments would need to return, after fees, to deliver the upside that is being promoted,
  - “back-tested” performance returns to show what the performance would have been if the product had existed for a certain period of time without an explanation of why that particular period is being used and that the disclosure is essentially based on hypothetical performance, and
  - performance information presented in an unbalanced way.
- Disclosure in information statements provided for many PPNs was lengthy, complex and difficult to understand, particularly in the sections describing the methods used to deliver principal protection and the upside benefit of the return on the linked investment.
- Disclosure materials in some cases lacked a sufficiently understandable description of the structure (both for the guarantee and the underlying investment) and the various participants that stand behind the investment.

*Fees* - We are concerned that investors might not be aware of the full cost they are paying, or that there is a cost at all, for the guarantee provided with PPNs. In some cases, that cost is the additional fees to cover the insurance policy to back the guarantee. In other cases, there are multiple layers of fees including management fees, performance fees, up-front sales fees, and trailer fees. These fees can significantly reduce the returns that would otherwise be derived from the underlying investments.

*Lack of liquidity* - We are concerned investors might not be aware that the terms of the PPN frequently do not permit an investor to sell it before maturity, without significant penalty. It also means that investors who wish to sell a PPN before maturity might not receive 100% of the principal amount invested.

2. *Know your client and suitability obligations* - Any registrant that sells a security, including a PPN that is sold under a prospectus and registration exemption, must comply with the know your client (KYC) and suitability obligations. Additionally, the registrant must understand the PPN well enough to be able to assess its suitability for a client.<sup>4</sup> We are concerned that some sellers of PPNs are not meeting these requirements.

3. *Retailization of alternative investment products* - We are concerned that some PPNs are being used as vehicles for retail distribution of, or exposure to, complex alternative investment products like hedge funds, funds of funds, or managed futures, without the general protections Canadian securities laws provide or sufficient disclosure to permit an investor to make an informed investment decision.

4. *Referral Arrangements* - Securities laws in some jurisdictions and some self-regulatory organizations have specific requirements for how registrants handle referrals to and from registrants. Even where specific requirements do not exist, registrants are still bound by their general obligation to act in the best interests of their clients. We are concerned that some registrants may be making a referral to purchase a PPN without concluding that the referral is in the best interests of their clients.

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<sup>4</sup> The Mutual Fund Dealers Association Notice #MR 0048 *Know-Your-Product* describes the MFDA's views on this issue as it applies to mutual fund dealers.

### **What is our proposed course of action?**

We propose to consult with industry and other stakeholders about the structuring and marketing of PPNs. These consultations will include discussions about how issuers are using the existing prospectus and registration exemptions for PPNs, how they are interpreting the scope of these exemptions and the types of products they are selling under the existing exemptions.

Based on the results of our consultation process and our ongoing monitoring activities, we will determine the form and content of any new regulatory requirements or guidance needed to regulate the offering and sale of PPNs. We will provide notice of any further course of action we propose to take. CSA members may also take appropriate action at any time if they become aware of non-compliance with Canadian securities laws or activities that threaten investors or the integrity of the capital markets.

### **What should issuers and dealers do now?**

Any issuer that plans to offer a PPN should ensure that the accompanying disclosure documents and any sales and marketing materials are clear, comprehensive, balanced, and provide sufficient information for investors and their advisers to make informed investment decisions or recommendations.

Any person planning to sell PPNs should satisfy itself whether its representatives need to be registered and, if so, are properly registered to sell those products. Any registered dealer should also ensure that its representatives have the appropriate training and that they have a thorough enough understanding of the PPN to be able to assess its suitability for a particular client. Any registered dealer and its representatives should assess their policies for ensuring that any PPNs they recommend to clients are suitable.

### **Questions**

If you have any questions, please refer them to any of the following:

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July 7, 2006

### 1.1.3 CSA Notice 52-314 - Securities Regulators Want Your Feedback on XBRL

#### CANADIAN SECURITIES ADMINISTRATORS' NOTICE 52-314 SECURITIES REGULATORS WANT YOUR FEEDBACK ON XBRL

##### Introduction

Today the Canadian Securities Administrators (CSA) launched a survey to help us understand the level of awareness of Extensible Business Reporting Language (XBRL) in our marketplace and assess the need for information in this format.

The CSA is committed to improving how information is collected and provided to investors. This includes finding ways to use technology to make it easier and more efficient for investors to receive, find, compare and analyze financial information. XBRL is a relatively new business reporting language that is emerging as an international standard for communicating business and financial data. This notice provides a brief overview of XBRL, the benefits and costs associated with it, and current trends and developments around the world.

##### What is XBRL?

XBRL is a business reporting language that allows financial information to be easily exchanged between organizations and on the Internet. Instead of treating financial information as a block of text, XBRL assigns an identifying tag to each individual item of data. For example, XBRL assigns tags to individual financial statement items, such as "revenue" or "cost of sales".

These tags allow information to be processed automatically in various ways for different users, eliminating labour-intensive manual data re-entry and verification. As a result, XBRL can increase the speed of handling of financial data, reduce errors and make it easier to analyze information.

XBRL is administered by XBRL International, a non-profit consortium of approximately 450 major companies, organizations and government agencies around the world.

##### Benefits

###### **1. Information only has to be entered once**

Preparing financial statements for printing, for a website and for filing with regulators may require an individual to key in data multiple times to produce the necessary information. XBRL only requires information to be entered once, saving time and reducing the potential for data entry errors. The same information can be used by different software packages to produce printed financial statements, an HTML document for a website and a SEDAR filing.

###### **2. Easier access to information**

Information can be easily exchanged between applications and over the Internet, allowing analysts and investors quick access to financial information using their own XBRL-enabled software.

###### **3. Analytical capabilities**

Analysis of financial information is typically done by either entering financial data into a spreadsheet or purchasing data from a third party supplier. XBRL data is in a readily usable format and does not need to be re-entered into another format in order to perform quantitative analysis. Analysts and investors can use XBRL to extract specific financial information of interest to them and customize it according to their needs. For example, they can create analyses and comparisons over time across several companies and business sectors (i.e. side-by-side and line-by-line comparisons, for financial periods for the same company or for many different companies). Analyst coverage and investor interest in smaller public companies could potentially increase given that financial information can be obtained and analyzed more readily with XBRL.

##### Costs

###### **1. XBRL software**

Although the XBRL specification is freely licensed, preparing information in XBRL requires software that is XBRL enabled. One type of XBRL-enabled software that continues to be developed is software to create XBRL documents. Another type is software to read and analyze XBRL data.

The cost of these products varies at this time. For example, financial statements in a spreadsheet format can be tagged and converted to XBRL using relatively inexpensive software (approximately \$800). On the other hand, implementing enterprise-wide financial software that can generate, validate and convert XBRL documents into a usable form will be more expensive.

It is important to note that since XBRL is still evolving as a technology, the number of software products currently available is limited. As XBRL becomes more widely accepted, the development of new software products with enhanced features will likely intensify and the costs of these products will start to decrease.

## **2. Education and training**

Although XBRL software is becoming increasingly more user-friendly, preparers of XBRL documents will need to acquire a general knowledge of XBRL and will also need to learn how to use the specific software that will allow them to prepare XBRL financial information.

## **3. Time preparing documents**

The time and effort involved in preparing XBRL documents will mainly depend on the complexity of the issuer's financial statements and the preparer's knowledge of XBRL. As users become more familiar with XBRL, the time needed to prepare XBRL documents will decrease.

### **Current trends**

#### ***Taxonomies***

Taxonomy refers to how information is described, classified and organized. XBRL taxonomies are essential in preparing XBRL documents because they are the "dictionaries" or "vocabularies" that allow each element to be tagged. Users can expand or "extend" taxonomies (thus the term "eXtensible" in the name "XBRL") according to their needs. For instance, if the element "sales" was too generic, the user could extend the taxonomy with two more specific items such as "equipment revenue" and "consumables revenue". Both of these would roll up to the standardized "revenue" element.

XBRL International is responsible for approving the taxonomies of each country. Many XBRL jurisdictions are involved in developing the taxonomy for their local accounting standards (e.g. International Financial Reporting Standards (IFRS), Canadian Generally Accepted Accounting Principles (GAAP), U.S. GAAP etc.). Other taxonomies have been developed by government agencies and regulators to address their specific regulatory reporting requirements. One example is the taxonomy for the Call Reports that was developed by the Federal Deposit Insurance Corporation in the U.S.

XBRL Canada has completed developing a Canadian taxonomy for primary financial statements in accordance with Canadian GAAP (i.e. general purpose GAAP financial statements) and for the notes to these financial statements. The Canadian GAAP taxonomy has both French and English built in, which allows for companies to present financial information electronically in multiple languages.

#### ***International developments***

There have been a number of significant XBRL developments around the world. In September 2004, the Securities and Exchange Commission (SEC) issued a concept release paper called "Enhancing Commission Filings through the use of Tagged Data". The paper sought public comment on the benefits and implications of tagging data to improve reporting quality and efficiency. In March 2005, the SEC implemented a voluntary financial reporting program for registrants to file supplemental financial information using XBRL. Under the program, registrants could voluntarily provide XBRL data as an exhibit to specified EDGAR filings. In addition, the SEC has established a test group that will provide financial information in XBRL for at least one year and give feedback on their experiences, including the costs and benefits of reporting in this format.

A number of stock exchanges, government agencies and regulators across Europe and Asia have implemented, or are in the process of implementing, XBRL-enabled systems. The following are a few examples of XBRL projects that have been implemented or are currently in progress around the world:

- The U.K. tax authority will require the use of XBRL for all company tax returns due after March 2010. In addition, the Companies House, the official body which receives company financial statements in the U.K., has started receiving financial statements in XBRL for audit-exempt companies and expects to expand the use of XBRL for larger companies.
- Japan's Financial Service Agency said it will require public companies to report financial information in XBRL by fiscal 2008. In addition, the Tokyo Stock Exchange has launched a free web-based trial service showing Japanese public company financial information in XBRL.

- The Spanish Securities Regulator now receives financial reports of public companies in XBRL.
- The Shanghai Stock Exchange receives all financial information from its public companies in XBRL.
- The European Commission funded XBRL International \$1 million euros to accelerate the development and adoption of XBRL in the European Union

In Canada, a number of XBRL projects are in the initial phases. Statistics Canada, for example, conducted a pilot project using XBRL to collect selected financial information from one of its surveys.

### **The survey**

We are interested in hearing your views on XBRL in the Canadian securities industry and we encourage you to participate in the survey. You can access the survey online at:

<https://data.grapevinesurveys.com/survey.asp?sid=20066274643546>

### **For more information**

You can find more information about XBRL on the following sites:

[www.xbrl.org](http://www.xbrl.org)  
[www.xbrl.ca](http://www.xbrl.ca)  
[www.sec.gov/rules/final/33-8529.htm](http://www.sec.gov/rules/final/33-8529.htm)  
[www.sec.gov/rules/concept/33-8497.htm](http://www.sec.gov/rules/concept/33-8497.htm)

For examples of financial information converted to XBRL documents, visit the Korean Stock Exchange (Kosdaq) website or the Tokyo Stock Exchange website at:

<http://xbrl.kosdaq.com/?lang=english>  
[www.tse.or.jp/listing/xbrl/english/1\\_e\\_xbrl\\_demonstration\\_program/13\\_e\\_xbrl\\_instance.html](http://www.tse.or.jp/listing/xbrl/english/1_e_xbrl_demonstration_program/13_e_xbrl_instance.html)

Please refer any questions you may have regarding this notice to the following people:

Cameron McInnis  
Manager, Corporate Finance Branch  
Ontario Securities Commission  
(416) 593-3675  
[cmcinnis@osc.gov.on.ca](mailto:cmcinnis@osc.gov.on.ca)

Nina Hertzog  
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Ontario Securities Commission  
(416) 593-2381  
[nhertzog@osc.gov.on.ca](mailto:nhertzog@osc.gov.on.ca)

Peter Grant  
Director, Information Management and Chief Information Officer  
British Columbia Securities Commission  
604 899-6868 (direct)  
800 373-6393 (toll free in BC and Alberta)  
[pgrant@bcsc.bc.ca](mailto:pgrant@bcsc.bc.ca)

John Hinze  
Director, Human Resources and Administration and CFO  
British Columbia Securities Commission  
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800 373-6393 (toll free in BC and Alberta)  
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therdzik@sfsc.gov.sk.ca

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Nicole Parent  
Analyste en valeurs mobilières  
Direction des marchés des capitaux  
Autorité des marchés financiers  
(514) 395-0558 ext. 4455  
nicole.parent@lautorite.qc.ca

Eric Johnson  
Securities Analyst  
New Brunswick Securities Commission/Commission des Valeurs Mobilières du Nouveau-Brunswick  
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Eric.Johnson@nbsc-cvmnb.ca

Donna Gouthro  
Corporate Finance Officer  
Nova Scotia Securities Commission  
(902) 424-7077  
gouthrdm@gov.ns.ca

July 7, 2006

**CSA SURVEY ON XBRL**

**A. Basic information about you**

**1. Please select the description that best describes your job functions/duties.**

- a. Auditor
- b. Accountant – financial statement preparer
- c. Accountant – other
- d. Investor
- e. Analyst
- f. Regulator
- g. Software developer
- h. Other: \_\_\_\_\_

**2. Please describe the industry your company operates in.**

\_\_\_\_\_

\_\_\_\_\_

**3. Please select the jurisdiction where your company's head office is located.**

- a. Alberta
- b. British Columbia
- c. Manitoba
- d. New Brunswick
- e. Newfoundland
- f. Northwest Territories
- g. Nova Scotia
- h. Nunavut
- i. Ontario
- j. Prince Edward Island
- k. Saskatchewan
- l. Quebec
- m. Yukon
- n. Other

**B. General questions**

**4. Were you aware of XBRL before this CSA notice?**

- a. Yes
- b. No

**5. How would you describe your current level of knowledge of XBRL?**

- a. Beginner
- b. Intermediate
- c. Advanced
- d. No knowledge

**6. Has your company discussed using XBRL internally for preparing and/or analyzing financial information?**

- a. Yes
- b. No
- c. I don't know.



7. How do you handle financial information? Please select the answer that is most relevant to you.
- a. I analyze or use financial information of other companies.
  - b. I prepare financial information
  - c. I develop products that use financial information.
  - d. I both use and prepare financial information.

**Instructions – Please read:**

**If you selected answer a above, please skip questions 17 – 35.**

**If you selected answer b above, please skip questions 8 – 16**

**If you selected answer c above, please skip questions 8 – 35**

**If you selected answer d above, please continue**

**C. Questions specific to “users” of financial information**

8. Please indicate the various sources that you use to obtain the financial information you analyze or use. Check all that apply.
- a. SEDAR
  - b. Third-party aggregator (e.g. Bloomberg, StarQuote)
  - c. Company websites
  - d. Other (please specify)

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9. Please identify the type of information you analyze or use. Check all that apply.

- a. Annual financial statements
- b. Quarterly financial statements
- c. Management’s Discussion and Analysis
- d. Earnings releases
- e. Other (please specify)

---

---

10. What tools do you use to analyze financial data? Check all that apply.

- a. In-house customized financial models
- b. Off-the-shelf financial model software
- c. Spreadsheet functionalities that require data to be keyed in
- d. Other (please specify)

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**11. Have you ever used tagged data such as XBRL in your financial analysis?**

a. Yes (please describe)

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b. No  
c. I don't know.

**12. Do you think XBRL would result in time and costs savings for your company by reducing data entry or reduce the costs of data you purchase?**

a. Yes. Small savings. Please explain.

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b. Yes. Significant savings. Please explain.

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c. No. Please explain.

---

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d. I don't know.

**13. If public companies provided tagged financial information in XBRL, would you use it?**

a. Yes. Please explain.

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b. No. Please explain.

---

---

c. I don't know.

**14. How would XBRL change the way you do your analysis?**

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15. Please indicate how much you agree or disagree with each of the following statements. If you disagree, please briefly explain why.

a. XBRL will allow me to quickly retrieve financial information without re-entering data

1                      2                      3                      4                      5  
Strongly Agree      Agree              No Opinion      Disagree           Strongly Disagree

---

---

b. XBRL will improve my analysis of financial information.

1                      2                      3                      4                      5  
Strongly Agree      Agree              No Opinion      Disagree           Strongly Disagree

---

---

c. XBRL will increase my ability to compare and understand financial information.

1                      2                      3                      4                      5  
Strongly Agree      Agree              No Opinion      Disagree           Strongly Disagree

---

---

16. What do you consider will be the most significant obstacles to using XBRL data, assuming it was available. Check those that apply (maximum of two choices).

- a. Cost of XBRL software
- b. Time and effort needed to learn about XBRL
- c. Lack of available XBRL software (viewing and analysis tools)
- d. Implementation of new procedures to read XBRL documents
- e. Other (please specify)

---

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**D. Questions specific to “preparers” of financial information**

17. What is the asset size of your company?

- a. \$2 million or less
- b. More than \$2 million to \$5 million
- c. More than \$5 million to \$20 million
- d. More than \$20 million

18. Please indicate the stock exchanges where your company is listed. Circle all that apply.

- TSX
- TSXV
- NYSE
- NASDAQ
- AMEX
- Other: \_\_\_\_\_

19. Please indicate the types of financial information that you prepare. Circle all that apply.

- a. GAAP financial statements, notes and MD&A for external purposes
- b. GAAP financial statements and notes for internal purposes
- c. Internal financial reports
- d. Other (please specify)

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20. Please indicate which item best describes your current financial reporting tool.

- a. Integrated customized accounting software package (please specify)
- b. Integrated customized accounting software package plus manually prepared spreadsheets (please specify)
- c. Basic off-the-shelf accounting software package and manually prepared spreadsheets (please specify)
- d. Other (please specify)

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21. What effect do you think preparing financial statements in XBRL would have on your current financial reporting process?

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22. Has your organization ever tagged its financial information using XBRL?

- a. Yes
- b. No

**Instructions - Please read:**  
**If you selected a above, please continue**  
**If you selected b above, please skip questions 23 through to 30**

**23. Please identify the financial information that was tagged by your organization.**

- a. GAAP financial statements for external purposes
- b. GAAP financial statements and notes for external purposes
- c. GAAP financial statements, notes and MD&A for external purposes
- d. GAAP financial statements and notes for internal purposes
- e. Internal financial reports (please specify)

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- f. Other (please specify)

---

---

**24. What was the amount of costs incurred for XBRL software?**

- a. \$0 - \$200
- b. 201 - \$500
- c. \$501 - \$1000
- d. Over \$1000 (please specify)

---

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- e. Other (please specify)

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**25. What was the total number of internal labour hours expended on the tagging process?**

- a. 0 – 20
- b. 21 – 50
- c. 51 – 100
- d. Over 100 (please specify)

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- e. Other (please specify)

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**26. What was the total number of external labour hours expended on the tagging process?**

- a. 0 – 20
- b. 21 – 50
- c. 51 – 100
- d. Over 100 (please specify)

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- e. Not applicable
- f. Other (please specify)

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**27. What was the total amount of costs incurred for tagging financial information using XBRL?**

- a. \$0 - \$500
- b. \$501 - \$1000
- c. \$1001 - \$3000
- d. \$3001 - \$4000
- e. Over \$4000 (please specify)

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- f. Other (please specify)

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**28. How many internal labour hours do you think have been “eliminated” per year with the tagging of the organization’s financial information using XBRL?**

- a. 0 - 20
- b. 21 - 50
- c. 51 - 100
- d. Over 100 (please specify)

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- e. Other (please specify)

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29. How much cost do you estimate has been saved per year with the tagging of the organization's financial information using XBRL?

- a. \$0 - \$200
- b. \$201 - \$500
- c. \$501 - \$1000
- d. Over \$1000 (please specify)

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e. Other (please specify)

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30. Are there any other comments you would like to add regarding your experience with tagging your organization's financial information using XBRL?

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31. Please rate each of the following by selecting the extent to which you agree or disagree. If you disagree, please briefly explain why.

a. My company only has to create information once if we use XBRL.

- |                |       |            |          |                   |
|----------------|-------|------------|----------|-------------------|
| 1              | 2     | 3          | 4        | 5                 |
| Strongly Agree | Agree | No Opinion | Disagree | Strongly Disagree |

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---

b. XBRL will lower my company's cost of preparing and distributing financial information.

- |                |       |            |          |                   |
|----------------|-------|------------|----------|-------------------|
| 1              | 2     | 3          | 4        | 5                 |
| Strongly Agree | Agree | No Opinion | Disagree | Strongly Disagree |

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c. XBRL has the potential to increase analyst coverage of my company (or other companies).

- |                |       |            |          |                   |
|----------------|-------|------------|----------|-------------------|
| 1              | 2     | 3          | 4        | 5                 |
| Strongly Agree | Agree | No Opinion | Disagree | Strongly Disagree |

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d. XBRL will increase my ability (or my company's ability or analysts' ability) to compare and understand financial information.

1 Strongly Agree      2 Agree      3 No Opinion      4 Disagree      5 Strongly Disagree

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---

**32. What do you consider to be the most significant obstacles to integrating XBRL into your current financial reporting process? Circle those that apply (maximum of two choices).**

- a. Cost of XBRL software
- b. Time and effort needed to learn about XBRL
- c. Lack of need for using XBRL (i.e. no demand)
- d. Implementing new reporting procedures to create XBRL documents
- e. Lack of available XBRL software (rendering and analysis tools)
- f. Other (please specify)

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**33. Do you think that the costs of using XBRL outweigh the benefits?**

a. Yes. Please explain.

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b. No. Please explain.

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**34. Are you aware of any software programs that allow you to tag financial information in XBRL?**

a. Yes. Please specify.

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b. No

**35. Do you think that companies will be reluctant to implement XBRL for Canadian GAAP financial statements, since Canada will eventually adopt International Financial Reporting Standards (IFRS)?**

a. Yes. Please explain.

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b. No. Please explain.

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**E. Regulatory filings**

**36. What should the CSA's role be in advancing and developing XBRL?**

- a. Introduce a voluntary XBRL filing program for SEDAR filings
- b. Mandate XBRL filing within the next two years
- c. Mandate XBRL filings in two to five years
- d. Mandate XBRL filings in five to ten years
- e. CSA should not advance XBRL (please explain)

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- f. Other (please specify)

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**37. What effect would submitting tagged data or having tagged data available on SEDAR have on your job?**

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**38. If we required or accepted tagged data in SEDAR filings, should accountants have to verify to the accuracy and completeness of the data?**

- a. Yes. Please explain in what form this verification should be.

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- b. No. Please explain.

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- c. I don't know.

**39. What information would be most useful to you if it was tagged using XBRL?**

- a. Only financial statements and notes
- b. Financial statements, notes and MD&A
- c. All financial filings
- d. Other (please specify)

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- e. I don't know.

**40. Are there any other comments you would like to add?**

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**F. Participate in focus groups and/or test group**

We are considering conducting XBRL focus group sessions at commission offices across Canada to gain a more in-depth understanding of your views. We are also planning to establish a test group of volunteers who will file their financial data in XBRL for a period of time and provide us with feedback on their experiences.

If you are interested in participating in either or both of these groups, please provide your contact information below. We may contact you to attend a focus group and/or take part in our test group. We will not use the contact information you provide below for any other purpose.

**Which group you would like to participate in?**

- a. Test group
- b. Focus group
- c. Both
- d. None

**Please provide the following information if you would like to take part in a focus group and/or the test group.**

Your name

---

Your e-mail address

---

Phone number(s) we can use to contact you:

---

Daytime phone number

---

Evening phone number

---

**1.1.4 Notice of Commission Approval – IDA Proposed Amendments to the Insurance Requirements – Regulation 400**

**THE INVESTMENT DEALERS ASSOCIATION**

**PROPOSED AMENDMENTS TO REGULATION 400 REGARDING INSURANCE REQUIREMENTS**

**NOTICE OF COMMISSION APPROVAL**

The Ontario Securities Commission approved amendments to IDA Regulation 400 regarding insurance requirements. In addition, the Alberta Securities Commission and the British Columbia Securities Commission did not object, and the Autorité des marchés financiers approved the proposed amendments. The purpose of the amendments is to simplify and modernize mail insurance requirements. A copy and description of the proposed amendments were published on January 27, 2006, at (2006) 29 OSCB 965. No comments were received.

**1.3 News Releases**

**1.3.1 Canada's Securities Regulators Seek Feedback on eXtensible Business Reporting Language ("XBRL")**

**FOR IMMEDIATE RELEASE**

**CANADA'S SECURITIES REGULATORS SEEK FEEDBACK ON EXTENSIBLE BUSINESS REPORTING LANGUAGE ("XBRL")**

**June 29, 2006** – Toronto – The Canadian Securities Administrators ("CSA") issued a notice to the Canadian market to seek feedback on a new business reporting tool called XBRL. CSA Notice 52-314, *Securities Regulators Want Your Feedback on XBRL*, provides information on XBRL, and links to an on-line survey to gather comments from the market about their level of awareness of XBRL and what the CSA's role should be in respect of XBRL.

*"The CSA is committed to improving how information is collected and provided to investors,"* says Jean St-Gelais, Chair of the CSA and President & Chief Executive Officer of the Autorité des marchés financiers (Québec). *"This includes finding ways to use technology that could make it easier and more efficient for investors to receive, find, compare and analyze financial information."*

XBRL is a relatively new business reporting language that is emerging as an international standard for communicating business and financial data. The basic concept of XBRL is that it attaches standardized electronic "tags" to elements of information and these tags provide information about what the item represents. The notice provides a brief overview of XBRL, the benefits and costs associated with it, and current trends and developments around the world.

*"There have been a number of significant developments with XBRL around the world, and we are interested in understanding the level of awareness of XBRL in the Canadian marketplace,"* said Jean St-Gelais.

To ensure that the survey reaches market participants, the CSA will email a copy of the Notice and survey to all public companies across Canada.

CSA Notice 52-314 *Securities Regulators Want Your Feedback on XBRL*, and the accompanying survey is available on several CSA members' websites.

The CSA is the council of the securities regulators of Canada's provinces and territories whose objectives are to improve, coordinate, and harmonize regulation of Canadian capital markets.

**For more information:**

Laurie Gillett  
Ontario Securities Commission  
416-595-8913

Andrew Poon  
British Columbia Securities Commission  
604-899-6880

Tamera Van Brunt  
Alberta Securities Commission  
403-297-2664

Ainsley Cunningham  
Manitoba Securities Commission  
204-945-4733

Frédéric Alberro  
Autorité des marchés financiers  
514-940-2176

**1.4 Notices from the Office of the Secretary**

**1.4.1 Andrew Oestreich**

**FOR IMMEDIATE RELEASE  
July 4, 2006**

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

**AND**

**IN THE MATTER OF  
ANDREW OESTREICH**

**TORONTO** – Following a hearing held on June 29, 2006, the Commission issued an Order approving the Settlement Agreement entered into by Staff of the Commission and Andrew Oestreich.

Copies of the Order and the Settlement Agreement are available at [www.osc.gov.on.ca](http://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

Laurie Gillett  
Manager, Public Affairs  
416-595-8913

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

**1.4.2 First Global Ventures, S.A. and Allen Grossman**

**FOR IMMEDIATE RELEASE  
July 5, 2006**

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

**AND**

**IN THE MATTER OF  
FIRST GLOBAL VENTURES, S.A.  
AND ALLEN GROSSMAN**

**TORONTO** – Following a hearing held June 28, 2006, the Commission issued an Order that the Temporary Order against the respondent First Global Ventures, S.A. is extended until the conclusion of the hearing of this matter and that First Global Ventures, S.A. cease purchasing the names and addresses of potential investors from any company or person while subject to the Temporary Order

The Commission also issued a temporary order against Alan Marsh Shuman, that he cease trading in all securities and that exemptions contained in Ontario securities law do not apply to him.

The Commission adjourned the hearing to Thursday, July 13, 2006 at 2:30 p.m.

A copy of the Order is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

For media inquiries: Wendy Dey  
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416-593-8120

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Manager, Public Affairs  
416-595-8913

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

**1.4.3 Maitland Capital Ltd. et al.**

**FOR IMMEDIATE RELEASE  
July 4, 2006**

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

**AND**

**IN THE MATTER OF  
MAITLAND CAPITAL LTD., ALLEN GROSSMAN,  
HANOUGH ULFAN, LEONARD WADDINGHAM,  
RON GARNER, GORD VALDE,  
MARIANNE HYACINTHE, DIANA CASSIDY,  
RON CATONE, STEVEN LANYS,  
ROGER MCKENZIE, TOM MEZINSKI,  
WILLIAM ROUSE AND JASON SNOW**

**TORONTO** – Following a hearing held June 28, 2006, the Commission issued an Order adjourning the hearing of this matter to Tuesday, September 12, 2006 at 10:00 a.m. and extending the Temporary Order until September 12, 2006.

A copy of the Order is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

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## Chapter 2

# Decisions, Orders and Rulings

## 2.1 Decisions

### 2.1.1 KBSH Capital Management Inc. - MRRS Decision

#### Headnote

MRRS – Exemption granted from unitholder approval requirement contained in s. 5.1(a) of NI 81-102 – Exemption required because fund to change basis for calculation of performance fee due to discontinuance of the BIGAR Broad Market Composite Index – Fund will calculate fee using S&P/TSX Canadian Bond Index – new index will perform substantially similar to old index – change will not result in a material increase, if any, to the fee paid by the fund.

#### Applicable Legislative Provisions

National Instrument 81-102 – Mutual Funds – ss. 5.1(a), 19.1.

June 27, 2006

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

AND

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

AND

IN THE MATTER OF  
KBSH CAPITAL MANAGEMENT INC.  
(the Filer)

#### MRRS DECISION DOCUMENT

#### Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that exempts the Disciplined Leadership High Income Fund (the **Fund**) from the requirement in section 5.1(a) of National Instrument 81-102 (**NI 81-102**) to obtain the prior approval of the Fund's unitholders in connection with the

replacement of the benchmark used to calculate the performance fee charged to the Fund (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 subsisting under the laws of the Province of Ontario and is registered under the **Securities Act** (Ontario) as an adviser in the categories of investment counsel and portfolio manager.
2. The Filer is the manager of the Fund.
3. The Fund is a reporting issuer or the equivalent thereof in each Jurisdiction and is not in default of any requirements of the securities legislation of the Jurisdictions. Units of the Fund are offered for sale on a continuous basis in each Jurisdiction pursuant to a simplified prospectus dated June 17, 2005, as amended (the **Prospectus**).
4. The Filer is entitled to receive a performance fee (the **Fee**) from the Fund which is calculated by comparing the performance of the Fund to the performance of a benchmark index.
5. The Fee payable by the Fund is equal to 20% of the amount by which the series net asset value of the Fund at the end of the calendar quarter (**Ending NAV**) exceeds the series target net asset value (**Target NAV**). The Target NAV is calculated by multiplying the series net asset value, net of the Fees paid, as at the last Fee payment date (Beginning NAV) by the sum of one plus the return of the Fund's benchmark (**Benchmark Return**) over the same period.

$$\text{Fee} = 20\% \times (\text{Ending NAV} - \text{Target NAV})$$
$$\text{Target NAV} = \text{Beginning NAV} \times (1 + \text{Benchmark Return})$$

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

“Rhonda Goldberg”  
Assistant Manager – Investment Funds

The Fee is payable in all circumstances where the performance of the subject series of units of the Fund exceeds that of the benchmark, even in circumstances where the value of the series of units of the Fund has declined. The Fee is accrued daily and paid at the end of each calendar quarter (or on a prorated basis at the time of redemption).

6. The benchmark index currently consists of the BIGAR™ Broad Market Composite Index (50%) and the S&P/TSX Capped Income Trust Index (50%) (the **Original Index**).
7. The BIGARTM Broad Market Composite Index is being discontinued by its third party provider, CIBC World Markets Inc., due to the launch of a new index managed by an independent third party provider, Standard & Poor's (**S&P**).
8. The Filer proposes to replace the Original Index with a new index (the **New Index**) that will include the new index to be managed by S&P.
9. The New Index will comprise S&P/TSX Canadian Bond Index (50%) and S&P/TSX Capped Income Trust Index (50%).
10. Effective July 1, 2006, the Filer proposes to calculate the Fee by comparing the performance of the Fund to the performance of the New Index.
11. The New Index will reasonably reflect the market sector in which the Fund will be investing its assets and considers the New Index to be appropriate given the investment objective and investment strategies of the Fund. The composition of the New Index will be substantially the same as the Original Index.
12. The Filer expects the New Index to have performance that is substantially similar to the Original Index. The proposed change will not result in a material increase, if any, to the Fee paid by the Fund.
13. The renewal Prospectus will disclose the change from the Original Index to the New Index.
14. The Filer will provide a notification of the change from the Original Index to the New Index in its next general mailing to unitholders of the Fund.

### 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.



## 2.1.2 Bandai GMBH - MRRS Decision

### Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Application under Section 104(2)(c) of the Securities Act (Ontario) – Exemption from Sections 95-100 of Securities Act (Ontario) – Take-over bid in Ontario by German limited liability company that is not a reporting issuer in any Canadian jurisdiction – Filer acquiring stock corporation incorporated under the laws of Germany – de minimis exemption not available – Filer cannot conclusively determine how many Canadian shareholders there are because target issued bearer securities and does not maintain a share register – Evidence suggests the number of Canadian shareholders less than the de minimis threshold – Germany is not recognized by the Commission for the purposes of de minimis exemption – Commission granted relief as take-over bid conducted in accordance with the laws of Germany providing protections to target shareholders – All material provided to foreign shareholders to be provided to Ontario shareholders – All shareholders treated equally.

### Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 93(1)(e), 95-100, 104(2)(c).

June 29, 2006

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

**AND**

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

**AND**

**IN THE MATTER OF  
BANDAI GMBH (the “Filer”)**

**MRRS DECISION DOCUMENT**

### Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the formal take-over bid requirements contained in the Legislation, including the provisions relating to delivery of an offer and take-over bid circular and any notices of change or variation thereto, delivery of a directors’ circular and any notices of change or variation thereto, minimum

deposit periods and withdrawal rights, take-up of and payment for securities tendered to a take-over bid, disclosure, financing, restrictions upon purchases of securities, identical consideration and collateral benefits (collectively, the “Take-over Bid Requirements”) shall not apply to trades made in connection with the proposed offer (the “Offer”) by the Filer for the acquisition of all ordinary non-par value bearer shares of Zapf Creation AG (the “Target”) which have been issued, including treasury stock held by the Target (the “Shares”) (the “Requested Relief”). The Target’s registered office is in Rödental, Germany.

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

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

### Interpretation

Defined terms contained in National Instrument 14-101 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 private limited liability company under the laws of the Federal Republic of Germany. The sole managing director of the Filer is Mr. Masayuki Matsuo. The Filer is a wholly-owned subsidiary of Bandai S.A. (“BSA”), an unlisted stock corporation under French law. Bandai S.A. is a wholly-owned subsidiary of Namco Bandai Holdings Inc. (“NBH”), a listed stock corporation under Japanese law. NBH and all its subsidiaries, including the Filer, are referred to as Namco Bandai Group.
2. The Filer’s registered office is located at Mülheimer Str. 15, 90451 Nürnberg, Germany. BSA’s registered office is 4, Rue de l’Industrie, 95310 St.-Ouen L’Aumône, Cergy Pontoise, France. NBH’s registered office is 9F Taiyo Life Shinagawa Building 2-16-2, Konan, Minato-ku, Tokyo, 108-0075, Japan. BSA is the head office of Namco Bandai Group’s European operations.
3. Neither the Filer nor BSA or NBH is a reporting issuer or the equivalent in any of the Jurisdictions. Neither the Filer’s nor BSA’s securities are listed or quoted for trading on any Canadian stock exchange or market or anywhere else. NBH’s securities are not listed or quoted for trading on any Canadian stock exchange or market.
4. The Target is a stock corporation under the laws of the Federal Republic of Germany, with its

Shares traded on the official market of the Stock Exchange in Frankfurt am Main and furthermore on the open market of other German stock exchanges in Hamburg, Stuttgart, Düsseldorf, Munich and Berlin-Bremen. The Target is the German top group company of various foreign and German subsidiaries (the "Target Group") whose focus is on marketing branded play concepts including dolls and a wide range of accessories that are developed with great attention to quality, design and play value.

5. The Target's registered office is located at Mönchrödener Straße 13, 96472 Rödental, Germany.
6. The Target's issued share capital registered in the commercial register amounts to €8,000,000 and is divided into 8,000,000 ordinary non-par value bearer shares, each share representing a proportionate amount of the registered share capital of Target of €1. The Shares constitute "equity securities" for the purposes of the definition of "take-over bid" in the Legislation as applicable.
7. The Target is not a reporting issuer or equivalent in any of the Jurisdictions. The Target's securities are not listed or quoted for trading on any Canadian stock exchange or market.
8. The Filer does not currently hold any of the Shares either directly or indirectly.
9. On June 13, 2006, the Filer announced its intention to make a voluntary public tender offer for the acquisition of the Shares. The Filer intends to offer €10.50 per Share in cash, implying a total offer consideration of up to €84 million. The implementation of the Offer and the purchase and ownership transfer agreements resulting from acceptance of the Offer are subject to satisfaction of certain conditions precedent including, but not limited to, approval by the German Federal Cartel Office and the Filer acquiring more than 75% of the Shares.
10. The Offer is being made and the Offer Document reflecting the terms of the Offer is being prepared exclusively in accordance with the laws of the Federal Republic of Germany (in particular, the German *Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, or the "WpÜG")*). It is made in compliance with the provisions of the statutory regulations based on the WpÜG and in compliance with any applicable provisions of US securities law.
11. The Offer Document has been submitted for review to the applicable securities regulatory authority in Germany. It is expected that the Offer Document will be made available to the holders of Shares immediately after approval by the German

regulator, expected to be granted on June 27, 2006. In accordance with German law, the Offer Document (and an English convenience translation) will be available on the Internet at <http://www.bandaignmbh.de>, and a notification regarding the publication of the Offer Document will be published in a national German newspaper also specifying where and how the shareholders may obtain a copy of the Offer Document free of charge. For further details on the publication see paragraph 13 below.

12. As permitted by German law, the Target has issued bearer securities and does not maintain a share register. Accordingly, any information about Shares held by shareholders in Canada can only be determined on a limited enquiry basis. Based on such enquiry, the Filer believes that as of June 13, 2006 there was one holder of Shares resident in Canada, holding in total 37,900 Shares representing approximately 0.47% of the entire issued share capital of the Target. The Filer believes that the above-mentioned shareholder is located in Ontario. As a result of the fact that the Target has issued bearer shares, the Filer is unable to determine conclusively where the holders of the Shares reside.
13. The Offer Document is expected to be published on June 28, 2006, in accordance with section 14 para. 3 of the WpÜG. The German version of the Offer Document and its non-binding English convenience translation will be published on the internet at <http://www.bandaignmbh.de>. In addition, an announcement regarding the publication of the German Offer Document will be published in the *Frankfurter Allgemeine Zeitung*. Furthermore, copies of the Offer Document and its English convenience translation will be made available to shareholders of the Target free of charge at BNP Paribas S.A. Niederlassung Frankfurt am Main, Grüneburgweg 14, 60322 Frankfurt am Main, Germany, and at BNP Paribas Securities Corp., Corporate Finance (U.S.), The Equitable Tower, 787 Seventh Avenue, New York, NY 10019, United States. On the same day, an announcement of the publication of the Offer Document and the availability of its English translation will also be made in the *The Wall Street Journal (U.S. Edition)* in the United States of America. Beyond that, as permitted under German law, the Filer does not expect to deliver any materials to the holders of the Shares in general (as the Target has issued bearer shares and does not maintain a share register or other record of the addresses of its shareholders). However, in the event that any material relating to the Offer is sent by the Filer generally to holders of the Shares in Germany, such material will also be sent to holders of Shares residing in the Jurisdictions (if addresses are known), along with an English translation for convenience purposes.

14. A public announcement in English in a national Canadian newspaper and in French in a newspaper that is widely circulated in Québec, made at the same time as the public announcement in the national German newspaper or as soon as practicable after issuance of this order, will specify where and how the shareholders may obtain a copy of the Offer Document or an English convenience translation free of charge. As soon as practicable after such date, the Filer will also file a copy of the Offer Document with the Decision Makers.
15. The *de minimis* take-over bid exemptions found in certain of the Jurisdictions are not available to the Filer since the bid is not being made in compliance with the laws of a jurisdiction that is recognized by the applicable Decision Makers for the purposes of the *de minimis* take-over bid exemptions. Also, because the Target does not maintain a share register, the Filer is unable to determine conclusively the number of holders of the Shares resident in each of the Jurisdictions, or the number of Shares held by any such persons.
16. In accordance with German law (home jurisdiction of both, the Filer and the Target) and with the provisions of Rule 14d-1(c) of the U.S. *Securities Exchange Act 1934* (Tier I), the Offer treats all shareholders (including Canadian holders) equally.

specifying where and how holders of Shares in the Jurisdictions may obtain a copy of the Offer Document (or an English convenience translation) free of charge, and files copies thereof with the Decision Maker in each Jurisdiction.

“Paul K. Bates”  
Commissioner  
Ontario Securities Commission

“Paul M. Moore”  
Commissioner  
Ontario Securities Commission

**Decision**

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

The decision of the Decision Makers under the Legislation is that the Filer is exempt from the Take-over Bid Requirements in making the Offer to the shareholders of the Target who are resident in the Jurisdictions provided that:

- (i) the Offer and all amendments to the Offer are made in compliance with the laws of the Federal Republic of Germany,
- (ii) any material relating to the Offer that is sent by the Filer generally to the holders of Shares in Germany will be sent by the Filer to the holders of Shares resident in the Jurisdictions (if addresses are known) together with an English convenience translation and copies thereof filed with the Decision Maker in each jurisdiction, and
- (iii) the Filer makes a public announcement in English in a national Canadian newspaper and in French in a newspaper that is widely circulated in Québec

**2.1.3 Institutional Managed Income Pool et al. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – extension of lapse date of prospectus of mutual funds – mutual funds will not issue any units under the prospectus in a jurisdiction after the lapse date of the prospectus in that jurisdiction until the extension is granted.

**Applicable Ontario Provisions:**

Securities Act, R.S.O. 1990, c. S.5 as am., s. 62(5).

**June 29, 2006**

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

**AND**

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

**AND**

**IN THE MATTER OF  
INSTITUTIONAL MANAGED INCOME POOL  
INSTITUTIONAL MANAGED CANADIAN EQUITY POOL  
INSTITUTIONAL MANAGED US EQUITY POOL  
INSTITUTIONAL MANAGED INTERNATIONAL EQUITY  
POOL  
(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 United Financial Corporation, the manager of the Filers, for a decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption that the time limits pertaining to the distribution of securities under the amended and restated simplified prospectus and annual information form dated October 21, 2005 of the Filers, as amended from time to time, (collectively, the "Prospectus") be extended to permit the continued distribution of securities of each Filer as if the lapse date for the Prospectus is July 31, 2006 (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 each Filer:

1. Each Filer is a reporting issuer (or the equivalent) as defined in the securities legislation of each of the Jurisdictions and is not in default of any of the requirements of such securities legislation.
2. Units of the Filers are offered for sale in each of the Jurisdictions pursuant to the Prospectus.
3. As the Prospectus amended and restated a simplified prospectus and annual information form dated June 28, 2005, the earliest lapse date of the Prospectus under the Legislation is June 28, 2006.
4. Through inadvertence, the Filers have not yet filed a renewal pro forma simplified prospectus and annual information form. The Filers will not issue any units under the Prospectus in a Jurisdiction after the lapse date of the Prospectus in that Jurisdiction until the Requested Relief is granted.
5. There have been no material changes in the affairs of any Filer since the filing of the Prospectus, other than those for which amendments have been filed. Accordingly, the Prospectus represents current information regarding each Filer.
6. The Filers intend to file their pro forma renewal prospectus on or about June 30, 2006 and, based on the time periods prescribed by National Policy 43-201 for reviewing a pro forma prospectus, the final prospectus by July 31, 2006.
7. The Requested Relief will not affect the accuracy of the information in the Prospectus and therefore will not be prejudicial to the public interest.

**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.

“Rhonda Goldberg”  
Assistant Manager, Investment Funds Branch  
Ontario Securities Commission

## 2.1.4 Oil Sands Sector Fund - MRRS Decision

### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Investment fund using specified derivatives exempted from the requirement to calculate its NAV on a daily basis, subject to certain conditions – NAV will not be generally required for the purposes of issuing and redeeming units since unitholders will have the option of liquidating their shares on the TSX and will not be dependent on redemptions for the purposes of disposing of their units- Prospectus must disclose that NAV calculation is to be made available to public upon request and NAV must be posted on manager’s website for so long as units listed on TSX and NAV per unit is calculated at least weekly - Clause 14.2(3)(b) of National Instrument 81-106 Investment Fund Continuous Disclosure.

### Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 14.2(3)(b),17.

June 29, 2006

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

AND

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

AND

IN THE MATTER OF  
OIL SANDS SECTOR FUND  
(the “Filer”)

### MRRS DECISION DOCUMENT

### Background

The local securities regulatory authority or regulator (the “**Decision Maker**”) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the “**Legislation**”) for relief from the requirement that the net asset value of an investment fund that uses specified derivatives (as such term is defined in National Instrument 81-102 *Mutual Funds*) be calculated 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 established under the laws of the Province of Ontario pursuant to a declaration of trust dated February 24, 2006. Markland Street Asset Management Inc. (the "**Manager**") will serve as manager and trustee of the Filer. The principal office of the Filer and the Manager is located at 200 Bay Street, Suite 2200, South Tower, Royal Bank Plaza, Toronto, Ontario, M5J 2J1.
2. The Filer is an investment fund as defined in NI 81-106 and has filed a final prospectus dated February 24, 2006 (the "**Final Prospectus**") with securities regulators in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
3. The investment objectives of the Filer are to provide holders ("**Unitholders**") of units ("**Units**") with: (i) long term capital appreciation; and (ii) a stable stream of quarterly cash distributions targeted to be \$0.125 per Unit (\$0.50 per Unit per annum, representing a yield of 5.0% per annum on the original issue price of \$10.00 per Unit). Quarterly distributions for the period ending December 31, 2006 will be \$0.125 per Unit (\$0.50 per annum or 5.0% per annum on the original issue price of \$10.00 per Unit). Commencing in 2007, the Filer will annually determine and announce each January the distribution amount for the following 12 months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year.
4. The Manager, on behalf of the Filer, has retained AGF Funds Inc. (the "**Investment Advisor**") to act as the investment advisor of the Filer.
5. The Filer will seek to achieve its investment objectives by actively managing a portfolio (the "**Portfolio**") of equity securities initially comprised of approximately 50 issuers, consisting primarily of issuers participating in the Canadian oil sands sector with the balance (up to 25% of total assets) consisting primarily of other issuers involved in the

energy sector. The Portfolio's composition will vary over time depending on the Investment Advisor's assessment of market conditions and outlook.

6. At least 75% of the total assets by value of the initial Portfolio following the investment in full of the use of proceeds of the Filer's initial public offering of Units as contemplated in the Final Prospectus will be invested in securities, other than debt securities, issued by issuers with direct investments in oil sands projects and those whose underlying business is directly or indirectly related to the oil sands sector ("**Oil Sands Securities**").
7. At least every 90 days, or more often at the discretion of the Investment Advisor, the Investment Advisor will rebalance the Portfolio such that Oil Sands Securities represent, at the time of such rebalancing, at least 75% of the total assets of the Portfolio by value.
8. The Filer may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives, investment strategy and investment criteria and subject to its investment restrictions, as permitted by Canadian securities regulators from time to time.
9. The Filer may, from time to time, generate additional income for the Filer by writing covered call options on securities in the Portfolio. Such covered call options may be either exchange traded options or over-the-counter options.
10. Although the Filer is a mutual fund trust for purposes of the Income Tax Act (Canada), it is not a mutual fund for purposes of securities legislation and its operation differs from that of a conventional mutual fund.
11. The Filer does not intend to continuously offer Units once the Filer is out of primary distribution and therefore the Filer is not a conventional mutual fund.
12. The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**").
13. Commencing in 2007, Units may be surrendered for redemption during the period from July 15th until 5:00 p.m. (Eastern Standard Time) on the 20th business day before the last business day in August in each year (the "**Notice Period**"). Units surrendered for redemption by a Unitholder during the Notice Period will be redeemed only on the last business day in August of each year (the "**Annual Redemption Date**") and the Unitholder will receive payment on or before the 15th business day following such Annual Redemption Date. The foregoing is subject to the Trust's right to suspend redemptions in certain circumstances.

**Decision**

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

The decision of the Decision Makers is that the Requested Relief is granted, provided that the Final Prospectus of the Filer discloses:

- (a) that the net asset value is available to the public upon request; and
- (b) a toll-free telephone number or website that 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 at least weekly.

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

**2.1.5 Investors Group Financial Services Inc. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – NI 81-105 Mutual Fund Sales Practices, s.9.1 - Exemption from section 4.2 of NI 81-105 to permit IGFS to compensate their Consultants for the distribution of Investors Group Funds and Third Party Funds in an unequal manner.

**Applicable Legislative Provisions**

National Instrument 81-105 Mutual Fund Sales Practices, ss. 4.2, 9.1.

**June 29, 2006**

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

**AND**

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

**AND**

**IN THE MATTER OF  
INVESTORS GROUP FINANCIAL SERVICES INC.  
(the "Filer")**

**MRRS DECISION DOCUMENT**

**Background**

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from Investors Group Financial Services Inc. ("IGFS") for a decision under the securities legislation of the Jurisdictions (the "Legislation") for an exemption under section 9.1 of National Instrument 81-105 *Mutual Fund Sales Practices* ("NI 81-105") from the requirements in section 4.2 of NI 81-105 such that IGFS may compensate Consultants (as defined below) in the manner described below (the "Requested Relief").

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

- (a) the Manitoba 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

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

1. IGFS is registered as a mutual fund dealer or equivalent in each of the Jurisdictions and is a member of the Mutual Fund Dealers Association of Canada.
2. Investors Group Securities Inc. ("IGSI") is registered as an investment dealer or equivalent in each of the Jurisdictions and is a member of the Investment Dealers Association of Canada.
3. IGFS is the principal distributor of mutual funds ("Investors Group Funds") which are managed in whole or in part by I.G. Investment Management, Ltd. or its affiliates ("IGIM").
4. IGFS and IGSI (the "I.G. Dealers") are the exclusive distributors of the Investors Group Funds and distribute them on a deferred sales charge and no-load basis.
5. Each of IGFS, IGSI and IGIM is a "member of the organization", within the meaning of NI 81-105, of Investors Group Funds.
6. The primary business of IGFS is to provide financial planning services to clients and to implement those plans through the sale and distribution of Investors Group Funds.
7. IGFS also holds in certain client accounts mutual funds that are not Investors Group Funds ("Third Party Funds"), only at the request of an investor and on an "accommodation" basis only, for clients who hold Third Party Funds and wish them to be incorporated into their financial plan. For purposes of this decision, "accommodation" means that IGFS does not promote, or encourage representatives of IGFS ("Consultants") to promote the purchase of Third Party Funds by clients. Further, IGFS does not advertise that Third Party Funds may be purchased through IGFS, nor does IGFS hold itself out as a distributor of Third Party Funds. However, as a service to clients who request to hold an existing Third Party Fund in their mutual fund account with IGFS or to purchase additional or new units of a Third Party Fund, IGFS will accommodate the request and facilitate the Third Party Fund transaction. Only certain Third Party Funds may be accommodated through IGFS, specifically only those that (i) may be settled through FundSERV<sup>1</sup> and (ii) are purchased on a "no load" basis or on a "front load" basis where the front load is reduced to nil.<sup>2</sup> IGSI will hold or sell Third Party Funds on the same accommodation basis as IGFS. Third Party Mutual Funds held on this accommodation basis represent a very minor portion of the total mutual funds held by clients in their mutual fund accounts with IGFS (i.e. approximately 1.7% as of December 31, 2005).
8. Clients may hold Investors Group Funds and Third Party Funds as well as stock, bonds and other securities in accounts at IGSI. Third Party Funds held at or purchased by clients through IGSI are done so on the same accommodation basis as set forth above in paragraph 7.
9. As a result of offering the accommodation service, the I.G. Dealers are considered "participating dealers" as defined in NI 81-102, in respect of Third Party Funds.
10. The I.G. Dealers distribute Investors Group Funds on a deferred sales charge basis and on a no-load basis.
11. IGFS compensates Consultants as follows in respect of the sale of Investors Group Funds:
  - (a) if the securities of the Investors Group Fund are sold under a deferred sales charge option, Consultants receive compensation in one or more of the following forms:
    - (i) a sales commission at the time of the initial sale of the securities;
    - (ii) an annual trailing commission payable monthly based on the average monthly value of certain assets of clients they service that are invested in Investors Group Funds purchased under the deferred sales charge option;
    - (iii) an additional annual trailing commission payable annually based on the value of certain assets of clients they service that are invested in Investors Group Funds purchased under the deferred sales charge option that are no longer subject to a deferred sales charge.

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<sup>1</sup> There may be exceptional circumstances where settlement through FundSERV is not required.

<sup>2</sup> There will be no exceptions to this requirement.



The amount of the sales commission, the trailing commission and the additional annual trailing commission vary among Consultants depending on various factors applicable to the Consultants such as tenure, assets serviced, sales volumes and professional qualifications.

(b) if the securities of the Investors Group Fund are sold under a no-load option (i.e. no front-end sales charge and no deferred sales charge), Consultants receive compensation in one or more of the following forms:

(i) an annual trailing commission payable monthly based on the value of certain assets of clients they service that are invested in Investors Group Funds purchased under the no-load option;

(ii) an additional annual trailing commission (an "asset retention commission") payable monthly based on the value of certain assets of clients they service that are invested in Investors Group Funds purchased under the no-load option.

The amount of the annual trailing commission varies among Consultants depending on various factors applicable to the Consultants such as assets serviced, sales volumes and professional qualifications. The additional annual trailing commission is the same rate for all Consultants.

12 In respect of the sale of Third Party Funds (which IGFS only permits to be sold under a no-load option<sup>3</sup>) on the accommodation basis set out above, IGFS compensates Consultants as follows:

(i) an annual trailing commission payable monthly based on the value of all assets of clients they service that are invested in Third Party Funds purchased under the no-load option.

The amount of annual trailing commissions that Consultants receive in respect of assets invested in Investors Group Funds and in Third Party Funds is the same.

Consultants do not receive an asset retention commission in respect of Third Party Funds as they do in respect of Investors Group Funds.

13. IGFS may reimburse Consultants for certain expenses incurred in respect of the distribution of Investors Group Funds and may pay for Consultants to attend conferences sponsored by IGFS. Further, IGFS may award prizes and bonuses to Consultants in respect of the distribution of Investors Group Funds. The foregoing amounts are paid in accordance with NI 81-105 and do not apply to Third Party Funds.

14. IGSI does not pay Consultants of IGFS for any transactions occurring in IGSI accounts and all of IGSI's registered individuals are currently compensated on a basis that is not tied to specific transactions, but IGSI may compensate its registered individuals on the basis set forth above in paragraphs 11 and 12 in the future.

15. The compensation paid to Consultants of IGFS and to registered individuals of IGSI in respect of Investors Group Funds is paid to IGFS by IGIM from management fees paid to IGIM by the Investors Group Funds.

16. To the knowledge of IGFS, the compensation paid to Consultants in respect of Third Party Funds is paid to IGFS by the manager of the Third Party Funds from management fees paid to the manager by the Third Party Funds.

17. The compensation paid to Consultants in respect of Investors Group Funds and in respect of Third Party Funds is not determined as a percentage of what IGFS receives from IGIM or the manager of the Third Party Funds, as the case may be.

18. Section 4.2 of NI 81-105 prohibits a principal distributor from providing an incentive for its sales representatives to recommend a fund of which it is a principal distributor over a fund of which it is a participating dealer.

19. Consultants will disclose the unequal compensation schemes between Investors Group Funds and Third Party Funds.

**Decision**

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the sale of Third Party Funds is on an "accommodation" basis, as described above, only.

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<sup>3</sup> It should be noted that if a Third Party Fund does not have a no-load series of securities, IGFS requires that the front-load series be sold with the front load reduced to nil.

“Robert B. Bouchard”  
Director, Corporate Finance  
The Manitoba Securities Commission

**2.1.6 Union Gas Limited and Westcoast Energy 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.

**June 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)**

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

**IN THE MATTER OF  
UNION GAS LIMITED  
(Union Gas)**

**AND**

**IN THE MATTER OF  
WESTCOAST ENERGY INC.  
(Westcoast Energy, and with Union Gas, the Filers)**

**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 Filers 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 Filers 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 Filers:

- 1. Union Gas was originally incorporated under the laws of Province of Ontario by letter patent dated December 19, 1911 and was amalgamated with Centra Gas Ontario Inc. on January 1, 1998 pursuant to the *Business Corporations Act* (Ontario). Union Gas is an indirect wholly-owned subsidiary of Duke Energy Corporation (“**Duke Energy**”) and a direct subsidiary of Westcoast Energy. Union Gas owns and operates natural gas transmission, distribution and storage facilities in Ontario, distributes natural gas to customers in northern, southwestern and eastern Ontario, and provides natural gas storage and transportation services for other utilities and energy participants in Ontario, Quebec and the United States. Union Gas is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,

Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. Union Gas is not in default of its obligations under the Legislation in any Jurisdiction.

- 2. Westcoast Energy was incorporated by Special Act of the Parliament of Canada in 1949. It was continued under the *Canada Business Corporations Act* in 1976 and was amalgamated with seven subsidiaries in March 2002. Westcoast Energy is an indirect wholly-owned subsidiary of Duke Energy. Westcoast Energy is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. Westcoast Energy is not in default of its obligations under the Legislation in any Jurisdiction.
- 3. Union Gas has established a short term unsecured notes financing program of up to an aggregate Cdn.\$ 400 million pursuant to which Union Gas may issue and sell short-term unsecured Commercial Paper having a maturity of up to 365 days.
- 4. Westcoast Energy has established a short term unsecured notes financing program of up to an aggregate Cdn.\$ 300 million pursuant to which Westcoast Energy may issue and sell short-term unsecured Commercial Paper having a maturity of up to 365 days.
- 5. The Commercial Paper is not qualified by a prospectus filed in any Jurisdiction and is intended to be sold exclusively on a private placement basis in accordance with available exemptions from the prospectus and registration requirements of the Legislation.
- 6. 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 **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 for “approved credit rating” and “approved credit rating organization” that are used in National Instrument 81-102 — *Mutual Funds (NI 81-102)*.
- 7. Generally, for short-term debt to have an “approved credit rating” under the definition in NI 81-102, (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”.

8. Dominion Bond Rating Service Limited (“**DBRS**”) has assigned the Commercial Paper a short-term rating of “R-1(low)” (the “**DBRS Rating**”). The DBRS is an “approved credit rating organization” and the DBRS Rating is an “approved credit rating”, and therefore meets the prescribed threshold in NI 81-102.
  
9. The Commercial Paper does not, however, meet the “approved credit rating” in NI 81-102 because Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) has assigned the CP a short-term rating of “A-2” (the “**S&P Rating**”), which is a lower rating than required by the Commercial Paper Exemption. In addition although the S&P is an “approved credit rating organization”, the S&P Rating is not an “approved credit rating”.
  
10. As a result of the definitions incorporated by reference in NI 45-106 and the ratings assigned to the Commercial Paper, the Commercial Paper does not have an “approved credit rating” and therefore the Commercial Paper Exemption is not available in respect of trades in Commercial Paper.

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.

“Robert L. Shirriff”  
 Commissioner  
 Ontario Securities Commission

“Robert W. Davis”  
 Commissioner  
 Ontario Securities Commission

**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:

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

**2.1.7 Arbec Forest Products Inc. - MRRS Decision**

**Headnote**

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

**Ontario Statutes**

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

**June 29, 2006**

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
QUEBEC, ONTARIO, ALBERTA,  
SASKATCHEWAN, NOVA SCOTIA,  
NEW BRUNSWICK, NEWFOUNDLAND  
AND LABRADOR (the “Jurisdictions”)**

**AND**

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

**AND**

**IN THE MATTER OF  
ARBEC FOREST PRODUCTS INC.  
(the “Filer” or “Arbec”)**

**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”) revoking the reporting issuer status of the Filer under the Legislation (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Autorité des marchés financiers 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 the corporation resulting from the amalgamation (the “Amalgamation”) of Uniforêt Inc. (“Uniforêt”) and three wholly-owned subsidiaries, Uniforêt Scierie Pâte Inc., Foresterie Port-Cartier Inc. and 3735061 Canada Inc. on January 1, 2005.
2. The head office of the Filer is located at 8000 Langelier Blvd, Suite 506, Saint-Léonard, Québec, H1P 3K2.
3. Uniforêt was incorporated under the *Canada Business Corporations Act* (the “CBCA”) on November 22, 1993. On May 9, 2005, Uniforêt changed its name to Arbec Forest Products Inc.
4. The authorized share capital of the Filer consists of an unlimited number of class A subordinate voting Shares (“SVS”), class B multiple voting Shares (“MVS”) and of preferred shares issuable in one or more series. A total of 60,020,765 SVS and 7,728,889 MVS were issued and outstanding as of February 24, 2006.
5. The Filer had been a reporting issuer in the Jurisdictions since June 27, 1995. The Filer, as the issuer resulting from the Amalgamation, is deemed to be a reporting issuer under the Legislation.
6. The Filer is not in default of its requirements under the Legislation of the Jurisdictions, except it has not filed its interim unaudited financial statements for the periods ended March 31, 2002, June 30, 2002 and September 30, 2002 in Alberta.
7. The SVS commenced trading on the Montreal Exchange in June 27, 1995, and with the reorganization of the Canadian stock exchanges, were subsequently listed on the TSX Exchange and traded under the symbol “ABRSV”.
8. On February 3, 2006, the Filer announced that Jolina Capital Inc. (“Jolina”) intended to acquire all of the issued and outstanding SVS, including the SVS issuable upon the conversion of the MVS (and including SVS which may become outstanding after the date of the Offer and prior to the Expiry Time upon the exercise of stock options and other rights) (collectively, the “Shares”) in the capital of the Filer (the “Offer”).
9. The take-over bid circular in respect of the Offer dated February 24, 2006, was mailed to the shareholders of Arbec on March 1, 2006.
10. On April 6, 2006, the Offer was successfully completed. As of April 6, 2006, Jolina controlled, upon take-up of the Shares deposited in the Offer, approximately 87% of the issued and outstanding Shares since 37,619,120 Shares of the Filer representing approximately 81% of the

outstanding Shares (excluding Shares held by Jolina) were validly tendered to the Offer.

11. On April 6, 2006, Jolina extended the Offer to April 24, 2006. On April 24, 2006, Jolina announced that it was taking up and paying for 1,678,714 Shares and extended the Offer until May 10, 2006.
12. On May 10, 2006, Jolina announced that it was taking up and paying for 2,209,784 Shares and extended the Offer until May 26, 2006.
13. On May 26, 2006, Jolina announced that it was taking up and paying for 1,423,839 Shares. As a result, on May 26, 2006, Jolina controlled approximately 94.6% of the issued and outstanding Shares since 42,931,457 Shares of the Filer representing 92.1% of the outstanding Shares (excluding Shares held by Jolina) were validly tendered to the Offer.
14. On May 26, 2006, as the Offer was accepted by holders of greater than 90% of the Shares not previously held by Jolina, Jolina took steps to acquire the remainder of the Shares pursuant to the compulsory acquisition provisions contained in the Canadian Business Corporations Act.
15. The compulsory acquisition notice dated May 26, 2006 was sent to the shareholders of Arbec on May 31, 2006 and the funds required to take-up all the Shares were deposited with the transfer agent on May 30, 2006. Consequently, on May 31, 2006, a certificate representing all the Shares was issued to Jolina. As a consequence, on May 31, 2006 Jolina became the sole owner of the outstanding securities of the Filer.
16. The Shares were delisted from the TSX on May 30, 2006, and no securities of the Filer are listed or traded on any marketplace as defined in National Instrument 21-101 *Marketplace Operation*.
17. The Filer surrendered its status as a reporting issuer in British Columbia, effective June 12, 2006.

**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.

“Benoit Dionne”  
Manager of the Corporate Financing Department  
Autorité des marchés financiers

**2.1.8 International Keystone Entertainment Inc. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Issuer has more than 50 security holders. Issuer deemed to cease to be a reporting issuer in Ontario and British Columbia. – Pursuant to a plan of arrangement, shareholders exchanged their common shares for participation rights which entitle the holders to participate, for a specified period of time, in the revenue from a portion of the issuer’s business. The participation right is based on a formula that cannot be calculated using GAAP numbers. The security holders’ entitlements will be overseen by a committee, a majority of which are major security holders that are independent of the issuer. The transaction, structure of the payments, existence of the committee, and intention of the issuer to cease to be a reporting issuer were disclosed in an information circular sent to all of the issuer’s security holders. The security holders voted to approve the entire transaction. There is no market for the participation rights, the issuer does not intend to do a public offering of its securities to Canadian residents and the issuer will not be subject to continuous disclosure requirements in any Canadian jurisdiction.

**Applicable Ontario Statutory Provisions**

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

**June 23, 2006**

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA AND ONTARIO  
(the Jurisdictions)**

**AND**

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

**AND**

**IN THE MATTER OF  
INTERNATIONAL KEYSTONE ENTERTAINMENT INC.  
(the Filer)**

**MRRS DECISION DOCUMENT**

**Background**

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be deemed to cease to be a reporting issuer under the Legislation (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. This decision is based on the following facts represented by the Filer:

- 1. the Filer is a reporting issuer in the provinces of British Columbia, Ontario and Québec and has its head office in Vancouver, British Columbia;
- 2. the Filer is not in default of its requirements under the Legislation, except it has not filed its annual financial statements for its year ended January 31, 2006;
- 3. the Filer was voluntarily delisted from the Montreal Exchange in August 2000 and there are currently no securities of the Filer being traded on any stock exchange or quotations system or traded over the counter in Canada or elsewhere;
- 4. the Filer has applied in Québec for relief from the requirement to comply with the continuous disclosure obligations that apply to reporting issuers;
- 5. the Filer's authorized capital consists of
  - (a) an unlimited number of common shares, of which 20,398,593 are outstanding and held by Keystone Pictures Inc., and
  - (b) 3571,428 Class A Preferred Shares and 3,571,428 Class B Preferred Shares, none of which were outstanding as at June 9, 2006;
- 6. the only other securities the Filer has outstanding are 20,398,593 participation rights that
  - (a) entitle the holders to receive quarterly royalty payments

based on the revenue received by the Filer from the Film Library described below,

- (b) do not carry any voting rights or any other rights associated with the control or direction of the Filer,
- (c) are redeemable by the Filer in certain circumstances until 30 days before they expire for an aggregate US\$7,000,000, less any royalty payments paid to the holders, and
- (d) expire on the earlier of
  - (i) the date the Film Library is sold,
  - (ii) the date the Filer redeems the participation rights, or
  - (iii) June 30, 2009, unless there is more than \$100,000 owing to the Filer in respect of the Film Library on June 30, 2009, then the first day after June 30, 2009 on which there is less than \$100,000 owing to the Filer in respect of the Film Library;
- 7. the Filer issued the participation rights in connection with an arrangement that closed May 25, 2006 under which all of its shareholders exchanged their shares for participation rights and which resulted in Keystone Pictures holding all of the Filer's outstanding shares;
- 8. there are 141 registered holders of participation rights, of which 95 hold 100 participation rights or less;
- 9. RBC Capital (RBCC) and Working Opportunity Fund (EVCC) Ltd. (WOF) each hold approximately 31% of the participation rights;
- 10. the Film Library is comprised of the distribution rights to approximately 63 completed films of the Filer (excluding certain reserved rights to the films);
- 11. the Filer will establish an oversight committee, comprised of a nominee of

each of RBCC, WOF and Keystone Pictures Inc., that will be responsible for

- (a) financial reporting and budgeting in respect of the Film Library,
  - (b) reviewing and approving the Filer's quarterly calculation of the revenue from the Film Library, and
  - (c) determining the scope of review and reporting of the revenue from the Film Library and expenses on an ongoing basis;
12. the calculation of the revenue from the Film Library is not based on GAAP measures, but on a calculation set out in the trust indenture governing the participation rights;
13. the oversight committee may require the Filer to provide the holders of the participation rights with a report documenting how it determined the amount owing under the participation rights;
14. the Filer sent an information circular in connection with the arrangement that disclosed
- (a) how the revenue from the Film Library would be calculated,
  - (b) the role of the oversight committee, and
  - (c) that the Filer was intending to make an application to cease to be a reporting issuer following the closing of the arrangement; and
15. the Filer does not intend to offer its securities to the public.

**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.

"Robin E. Ford"  
Commissioner  
British Columbia Securities Commission

**2.2 Orders**

**2.2.1 United Bolero Development Corp. - s. 83.1(1)**

**Headnote**

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

**Statutes Cited**

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

**Policies Cited**

Policy 12-602 – Deeming an Issuer From Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario.

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

**AND**

**IN THE MATTER OF  
UNITED BOLERO DEVELOPMENT CORP.**

**ORDER  
(Section 83.1(1))**

**UPON** the application of United Bolero Development Corp. ("the Applicant") for an order pursuant to subsection 83.1(1) of the Act deeming the Applicant to be a reporting issuer for the purposes of Ontario securities law;

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

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

- 1. The Applicant was incorporated under the laws of British Columbia on August 13, 1985 under the name "Bolero Resources Inc." by filing its memorandum and articles with the British Columbia Registrar of Companies. On February 12, 1992, the Applicant changed its name to "United Bolero Development Corp."
- 2. The Applicant's head office is located at 789 West Pender Street, Suite 1220, Vancouver, BC V6C 1H2.
- 3. The Applicant has been a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act")



- since September 19, 1986 and has been a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") since September 19, 1986. The Common shares of the Applicant have been listed and posted for trading on the TSX-V since December 10, 1986. The Applicant is not in default of any requirements of the BC or Alberta Acts.
4. The Applicant is not a reporting issuer or its equivalent in Ontario or any other jurisdiction in Canada other than Alberta and British Columbia.
  5. The Applicant's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "UNB". The Applicant is in compliance with all requirements of the TSX-V.
  6. The Applicant is not designated as a capital pool company by the TSX-V.
  7. The authorized capital of the Applicant consists of 99,875,000 common shares (the "Common Shares"), of which 51,454,387 are currently issued and outstanding.
  8. TSX-V requires all of its listed issuers, which are not otherwise reporting issuers in Ontario, to assess whether they have a significant connection to Ontario as defined in Policy 1.1 of the TSX-V Corporate Finance Manual, and, upon first becoming aware that it has a significant connection to Ontario, to promptly make a bona fide application to the Commission to be deemed a reporting issuer in Ontario.
  9. The Applicant has established a significant connection to Ontario by the fact that, through recently completed private placements, Ontario residents beneficially own more than 10% of the existing shares of the Applicant.
  10. The Applicant also has mining interests in Ontario by having an option on the "Chong Property" in Fraleck Township, Sudbury Mining District and an option on the "Baird Property" located in Red Lake, Ontario.
  11. The Applicant is up to date in the filing of its financial statements and other continuous disclosure documents, which include a description of the Applicant's material projects.
  12. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.
  13. The materials filed by the Applicant as a reporting issuer in the Provinces of British Columbia and Alberta have been available on the System for Electronic Document Analysis and Retrieval since August 28, 1997.
14. With the exception of a cease trade order issued by the British Columbia Securities Commission (the "BCSC") on September 11, 2003 against the Applicant for failing to file second quarter interim financial statements for the period ended June 30, 2003, which was subsequently revoked on September 19, 2003 by the Executive Director of the BCSC, neither the Applicant nor any of its directors, officers nor to the knowledge of the Applicant and its directors and officers, any of its controlling shareholders, has:
    - (a) been the subject of any penalties or sanctions imposed by a court relating to the Canadian securities legislation or by a Canadian securities regulatory authority,
    - (b) entered into a settlement agreement with a Canadian securities regulatory authority, or
    - (c) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
  15. Neither the Applicant nor any of its directors, officers nor, to the best knowledge of the Applicant and its directors and officers, any of its controlling shareholders, is or has been subject to:
    - (a) any known ongoing or concluded investigations by:
      - (i) a Canadian securities regulatory authority, or
      - (ii) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or
    - (b) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.
  16. None of the directors or officers of the Applicant nor, to the knowledge of the Applicant and its directors and officers, any of its controlling shareholders, was at the time of such event a director or officer of any other issuer which is or has been subject to:
    - (a) any cease trade or similar orders, or order that denied access to any exemp-

tions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or

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

- 17. The Applicant will remit all participation fees due and payable by it pursuant to Commission Rule 13-502 Fees by no later than two (2) business days from the date hereof.

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

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

June 27, 2006

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

## 2.2.2 Murphy & Durieu - s. 218 of the Regulation

### Headnote

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

### Applicable Statutes

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

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

**AND**

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

**AND**

**IN THE MATTER OF  
MURPHY & DURIEU**

**ORDER  
(Section 218 of the Regulation)**

**UPON** the application (the Application) of Murphy & Durieu (the Applicant) to the Ontario Securities Commission (the Commission) for an order, pursuant to section 218 of the Regulation, exempting the Applicant from the requirement under section 213 of the Regulation that the Applicant be incorporated, or otherwise formed or created, under the laws of Canada or a province or territory of Canada, for the Applicant to be registered under the Act as a dealer in the category of “limited market dealer” (LMD) pursuant to Ontario Securities Commission Rule 31-503 *Limited Market Dealer* (Rule 31-503);

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

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

1. The Applicant is a partnership organized under the laws of the State of New York. The head office of the Applicant is located in New York City, New York.
2. The Applicant is not presently registered under the Act in any dealer capacity. The Applicant is applying to the Commission for registration under the Act as a dealer in the category of LMD.

3. The Applicant is presently registered in the United States as a broker-dealer with the United States Securities and Exchange Commission (the SEC) and is a member of the National Association of Securities Dealers (the NASD). The Applicant's business activities include:

- (i) a broker or dealer selling corporate debt securities;
- (ii) a broker or dealer retailing corporate equity securities over-the-counter;
- (iii) an exchange member engaged in exchange commission business other than floor activities;
- (iv) an exchange member engaged in floor activities;
- (v) a government and municipal securities broker;
- (vi) a broker or dealer making inter-dealer markets in corporate securities over-the-counter;
- (vii) a mutual fund retailer;
- (viii) private placements, underwriting and participating as a selling group member for corporate securities other than mutual funds; and
- (ix) an inter-dealer broker in credit derivatives.

4. Where the Applicant participates as a dealer in a distribution of securities in Ontario, the Applicant will do so under registration and prospectus exemptions contained in the Act, National Instrument 45-106 *Prospectus and Registration Exemptions* and Commission Rule 45-501 *Exempt Distributions*.

5. Section 213 of the Regulation provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada.

6. The Applicant is not incorporated, formed or created under the laws of Canada or any province or territory of Canada. The Applicant is not a resident of Canada and does not require a separate Canadian company in order to carry out its proposed LMD activities in Ontario as it is more efficient and cost effective for the Applicant to carry out those activities through the existing company.

7. The Applicant requests an exemption from the requirement under section 213 of the Regulation

to permit it to obtain registration as a LMD without having to incorporate a separate company under the laws of Canada or a province or territory of Canada.

8. Without the relief requested, the Applicant would not meet the requirements for registration as a dealer in the category of LMD as the Applicant is not a company incorporated, formed or created under the laws of Canada or any province or territory of Canada.

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

**IT IS ORDERED**, pursuant to section 218 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of LMD, section 213 of the Regulation shall not apply to the Applicant for a period of three (3) years, provided that:

- 1. The Applicant appoints an agent for service of process in Ontario.
- 2. The Applicant provides to each client resident in Ontario a statement in writing disclosing the non-resident status of the Applicant, its jurisdiction of residence, the name and address of its agent for service of process in Ontario, and the nature of the risks to clients that legal rights may not be enforceable.
- 3. The Applicant will not change its agent for service of process in Ontario without giving the Commission thirty (30) days' prior notice of such change by filing a new *Submission to Jurisdiction and Appointment of Agent for Service of Process*.
- 4. The Applicant and each of its registered directors or officers irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial, and administrative tribunals of Ontario and any administrative proceedings in Ontario, in any proceedings arising out of or related to or concerning its registration under the Act or its activities in Ontario as a registrant.
- 5. Securities, funds, and other assets of the Applicant's clients in Ontario will be held:
  - (a) by the client; or
  - (b) by a custodian or sub-custodian:
    - (i) that meets the guidelines prescribed for acting as a sub-custodian of the portfolio securities of a mutual fund in Part 6 of National Instrument 81-102 *Mutual Funds*;
    - (ii) that is:

- (A) subject to the agreement announced by the Bank for International Settlements (the BIS) on July 1, 1988 concerning international convergence of capital measurement and capital standards; or
- (B) exempt from the requirements of paragraph 3.7(1)(b)(ii) of OSC Rule 35-502 *Non Resident Advisers*; and
- (c) if such securities, funds and other assets are held by a custodian or sub-custodian that is the Applicant or an affiliate of the Applicant, that custodian holds such securities, funds and other assets in compliance with the requirements of the Regulation.
6. Securities of the Applicant's Ontario clients may be deposited with or delivered to a recognised depository or clearing agency.
7. The Applicant will inform the Director immediately upon it becoming aware:
- (a) that it has ceased to be registered in the United States as a broker-dealer;
- (b) of its registration in any other jurisdiction not being renewed or being suspended or revoked;
- (c) that it is the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority;
- (d) that the registration of its salespersons, officers or directors who are registered in Ontario have not been renewed or have been suspended or revoked in any Canadian or foreign jurisdiction; or
- (e) that any of its salespersons, officers or directors who are registered in Ontario are the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority in any Canadian or foreign jurisdiction.
8. The Applicant will pay the increased compliance and case assessment costs of the Commission due to its location outside Ontario, including the cost of hiring a third party to perform a compliance review on behalf of the Commission in connection with its registration as a LMD.
9. The Applicant will make its books and records outside Ontario, including electronic records, readily accessible in Ontario, and will produce physical records for the Commission within a reasonable time if requested.
10. If the laws of the jurisdiction in which the Applicant's books and records are located prohibit production of the books and records in Ontario without the consent of the relevant client, the Applicant shall, upon a request by the Commission:
- (a) so advise the Commission; and
- (b) use its best efforts to obtain the client's consent to the production of the books and records.
11. The Applicant will, upon the Commission's request, provide a representative to assist the Commission in compliance and enforcement matters.
12. The Applicant and each of its registered directors or officers will comply, at its expense, with requests under the Commission's investigation powers and orders under the Act in relation to the Applicant's dealings with Ontario clients, including producing documents and witnesses in Ontario, submitting to audit or search and seizure process or consenting to an asset freeze, to the extent such powers would be enforceable against the Applicant if it were resident in Ontario.
13. If the laws of the Applicant's jurisdiction of residence that are otherwise applicable to the giving of evidence or production of documents prohibit the Applicant or the witnesses from giving the evidence without the consent or leave of the relevant client or any third party, including a court of competent jurisdiction, the Applicant shall:
- (a) so advise the Commission; and
- (b) use its best efforts to obtain the client's consent to the giving of the evidence.
14. The Applicant will maintain appropriate registration and regulatory organization membership, in the jurisdiction of its principal operations, and if required, in its jurisdiction of residence.

June 30, 2006

"Paul M. Moore"

"Harold P. Hands"

2.2.3 Andrew Oestreich - ss. 127, 127.1

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

**AND**

**IN THE MATTER OF  
ANDREW OESTREICH**

**ORDER  
(Sections 127 and 127.1)**

**WHEREAS** on May 19, 2006, the Commission issued an Amended Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Act* in respect of Andrew Oestreich;

**AND WHEREAS** Oestreich entered into a settlement agreement dated June 12, 2006 (the "Settlement Agreement"), in which the respondent Oestreich agreed to a proposed settlement of the proceeding commenced by the Amended Notice of Hearing, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from the counsel for Oestreich and from Staff of the Commission;

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

**IT IS HEREBY ORDERED THAT:**

1. the Settlement Agreement dated June 12, 2006, attached to this Order as Schedule "1", is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the *Act*, Oestreich shall cease trading in securities for a period of 2 years commencing on the date of this Order;
3. pursuant to clause 6 of subsection 127(1) of the *Act*, Oestreich will be reprimanded;
4. pursuant to clause 7 of subsection 127(1) of the *Act*, Oestreich shall resign all positions that he holds as a director or officer of a reporting issuer;
5. pursuant to clause 8 of subsection 127(1) of the *Act*, Oestreich is prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of this Order;
6. pursuant to clause 9 of subsection 127(1) of the *Act*, Oestreich will make a settlement payment of \$24,000 by certified cheque or bank draft to the Commission for allocation to or for the benefit of third parties under s. 3.4(2) of the *Act*;
7. pursuant to subsection 127.1(1)(b) of the *Act*, Oestreich will make a payment in the amount of \$5,000 by certified cheque or bank draft to the Commission in respect of a portion of the costs of the Commission's investigation in relation to this matter; and
8. Oestreich will cooperate with Staff, including testifying as a witness for Staff at any proceedings commenced by Staff before the Commission.

DATED at Toronto this 29th day of June, 2006.

"Paul M. Moore"

"Suresh Thakrar"

**SCHEDULE "1"**

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

**AND**

**IN THE MATTER OF  
ANDREW OESTREICH**

**SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

1. By Notice of Hearing dated May 12, 2006, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, it is in the public interest for the Commission to make an order approving the settlement agreement entered into between Staff of the Commission and the respondent Andrew Oestreich ("Oestreich" or the "Respondent").

**II. JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission recommend settlement with Oestreich in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule "A" on the basis of the facts set out in Part IV herein.

3. The terms of this settlement agreement, including the attached Schedule "A" (collectively, the "Settlement Agreement") will be released to the public only if and when the Settlement Agreement is approved by the Commission.

**III. ACKNOWLEDGEMENT**

4. Staff and the Respondent agree with the facts and conclusions set out in Part IV of this Settlement Agreement.

**IV. FACTS**

**Background**

5. AiT Advanced Information Technologies Inc. (now 3M Canada Company) ("AiT" or the "Company") was a reporting issuer in Ontario and was located in Ottawa. The Company designed, developed and marketed issuance systems that automated the production of secure identification and travel documents such as passports and inspection and border control systems used to confirm the identity of travellers.

6. On May 23, 2002, AiT announced that it had entered into a merger transaction (the "Merger Transaction") with 3M Canada Company ("3M").

**The Respondent**

7. Oestreich is a resident of Ontario. He is 45 years of age. He has a Bachelor of Commerce degree, with a major in accounting. Prior to his employment with AiT, he worked at various companies in accounting-related positions.

8. In approximately 1994, Oestreich was hired by AiT. Oestreich worked at AiT in various positions and eventually became the Director of Sales, which was considered a management position. From September 2001 to May 2002, Oestreich was the Vice President of Sales and Marketing and an officer of AiT. Oestreich was not a director of AiT.

9. In his position as Vice President of Sales and Marketing at AiT, Oestreich was a member of the executive management team (the "EMT") and was privy to and possessed confidential material information about general business matters and strategic alternatives that AiT was pursuing. The EMT met periodically with Bernard Jude Ashe ("Ashe"), the President and Chief Executive Officer of AiT, to discuss these issues.

10. After the Merger Transaction, Oestreich continued to work with 3M-AiT in management, but not as an officer, until July 2003 when he left the Company for unrelated reasons.

**Decision to Sell AiT**

11. AiT had incurred a significant loss for the fiscal year ended September 30, 2001.

12. By late 2001, Oestreich was aware that the Company needed financing, and that AiT had been unable to raise adequate equity financing. Oestreich was also aware that the Company had announced its desire to seek a strategic partner to continue development of its VeriMe product line.

13. In late 2001, officials of 3M met with representatives of AiT. Initially, these meetings were focused on investigating whether a better working relationship could be established between the two companies on the basis of complementary product lines.

14. On January 25, 2002, Ashe recommended to AiT's Strategic Committee that the Company engage a mergers and acquisitions advisor ("M&A Advisor") to assist the Company in finding a strategic buyer for the Company. The Strategic Committee, whose mandate was to review and discuss matters of strategic importance, approved the recommendation. On February 6, 2002, prior to seeking the approval for the recommendation to engage an M&A Advisor from the board of directors of AiT ("Board of Directors" or the "Board"), Ashe convened a special offsite meeting of the EMT, including Oestreich, in order to brief the EMT on the Strategic Committee's decision and to solicit management's opinions on the sale of the Company. At this meeting, the majority of the EMT, including

Oestreich, supported the proposal to seek a strategic buyer.

15. On February 19, 2002, Ashe presented the Strategic Committee's recommendation to the Board of Directors, and the Board authorized management to retain an M&A Advisor.

16. By February 26, 2002, Oestreich was aware of the recommendation of the Strategic Committee to engage an M&A Advisor to find a strategic buyer for the Company, and that the Board of Directors of AiT had authorized management to retain such an advisor.

**Insider Trading by Oestreich**

17. On February 26, 2002, Oestreich instructed his wife to place an order to purchase a total of 1,000 shares of AiT at a time when he had knowledge of the events described above. The trades were made through the Respondent's account at TD Waterhouse. His wife had power of attorney over the account. The order was filled on February 26 and 27, 2002.

18. Particulars of the shares of AiT purchased by Oestreich are as follows:

<b>Date Order Placed</b>	<b># of AiT Shares</b>	<b>Purchase Price</b>	<b>Selling Price</b>
February 26, 2002	700	\$1.30	\$2.88
February 27, 2002	300	\$1.30	\$2.88
March 1, 2002	5000 (1000) (4000)	\$1.27 \$1.30	\$2.88
March 1, 2002	4000 (1900) (2100)	\$1.25 \$1.30	\$2.88

19. On February 28, 2002, Oestreich was advised that Ashe was to attend a dinner meeting that day with a representative of 3M in Ottawa.

20. On March 1, 2002, Oestreich placed orders to purchase a total of 9,000 shares of AiT at a time when he had knowledge of all of the events described above. The orders were filled on March 1 and March 5, 2002.

21. At the time Oestreich purchased these shares, he was in a special relationship with AiT and each of these trades was made at a time when Oestreich had knowledge of material facts as set out above which had not been generally disclosed to the public, contrary to subsection 76(1) of the *Act*.

22. At the dinner meeting held on February 28, 2002 between Ashe and a representative of 3M, 3M expressed an interest in acquiring AiT. At a meeting of EMT held on or about March 5, 2002, Ashe informed the EMT, including Oestreich, of 3M's expression of interest in acquiring AiT.

23. On April 15, 2002, Oestreich filed an Insider Report reflecting the purchase of AiT shares described above.

24. On May 23, 2002, AiT and 3M signed the final merger agreement. On the same date, AiT issued a press release announcing that it had entered into a merger transaction (the "Merger Transaction") with 3M.

25. On July 15, 2002, the Merger Transaction was approved by the shareholders of AiT at a special meeting called for that purpose.

26. All shares were remitted to the Company for redemption on July 17, 2002. At that time, Oestreich realized a profit of approximately \$15,925.

27. On July 19, 2002 AiT announced that it had concluded the Merger Transaction and, in effect, AiT became a wholly-owned subsidiary of 3M.

**V. CONDUCT CONTRARY TO LAW**

28. By purchasing shares at a time when he was in possession of a material fact that had not been generally disclosed and by engaging in the conduct described above, Oestreich breached section 76 of the *Act* and also acted contrary to the public interest.

**VI. POSITION OF RESPONDENT**

29. Oestreich had an honest but mistaken belief that he was not restricted from trading at the time he traded in shares of AiT. Oestreich did not receive any notice or warning from the Company or Ashe that at the relevant times he was prohibited from trading in shares of AiT. Oestreich now understands and admits that he traded with knowledge of a material fact that had not been generally disclosed.

30. Oestreich had only been an officer for approximately 6 months when he made these trades.

31. Oestreich understands that it is his responsibility to file Insider Trading Reports and he acknowledges that these Reports were not filed within the required deadline. However, Oestreich followed the practice at AiT and submitted his Reports to an assistant for filing. Oestreich was not aware that the Reports were filed late.

32. At present, Oestreich is seeking permanent employment and is working on a contract basis as a consultant.

33. Oestreich cooperated fully with Staff during the course of the investigation in this matter. Oestreich

attended for a voluntary interview and readily admitted all facts regarding this matter.

**VII. TERMS OF SETTLEMENT**

34. Oestreich agrees to the following terms of settlement:

- a) The Commission will make an order approving the settlement agreement;
- b) The Commission will make an order pursuant to clause 2 of subsection 127(1) of the *Act* that Oestreich shall cease trading in securities for a period of 2 years commencing on the date of the approval of this settlement;
- c) The Commission will make an order pursuant to clause 6 of subsection 127(1) of the *Act* that Oestreich be reprimanded;
- d) The Commission will make an order pursuant to clause 7 of subsection 127(1) of the *Act* that Oestreich resign all positions that he holds as a director or officer of a reporting issuer;
- e) The Commission will make an order pursuant to clause 8 of subsection 127(1) of the *Act* that the Respondent is prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of the approval of this settlement;
- f) At the time of approval of this settlement, Oestreich will make a payment to the Commission in the amount of \$24,000, such payment to be allocated to or for the benefit of third parties as in accordance with section 3.4(2) of the *Act*;
- g) The Commission will make an order pursuant to subsection 127.1(1)(b) of the *Act* that Oestreich pay costs in the amount of \$5,000;
- h) Oestreich will cooperate with Staff, including testifying as a witness for Staff at any proceedings commenced by Staff before the Commission; and
- i) Oestreich will attend the hearing in person.

**VIII. STAFF COMMITMENT**

35. If this Settlement Agreement is approved by the Commission, staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of Oestreich in relation to the facts set out in Part

IV of this Settlement Agreement, subject to the provisions of paragraph 37 below.

**IX. PROCEDURE FOR APPROVAL OF SETTLEMENT**

36. Approval of this Settlement Agreement shall be sought at a hearing of the Commission on a date agreed to by counsel for Staff and Oestreich.

37. Staff and Oestreich may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and Oestreich also agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Oestreich in this matter, and Oestreich agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

38. Staff and Oestreich agree that if this Settlement Agreement is approved by the Commission, neither Staff nor Oestreich will make any public statement inconsistent with this Settlement Agreement.

39. If this Settlement Agreement is approved by the Commission and, at any subsequent time, Oestreich fails to honour any of the Terms of Settlement set out in Part VII herein, Staff reserve the right to bring proceedings under Ontario securities law against Oestreich based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement.

40. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an Order in the form attached as Schedule "A" is not made by the Commission, each of Staff and Oestreich will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

41. Whether or not this Settlement Agreement is approved by the Commission, Oestreich agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the Commission of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

**X. DISCLOSURE OF SETTLEMENT AGREEMENT**

42. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both Oestreich and Staff or as may be required by law.



43. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

**XI. EXECUTION OF SETTLEMENT AGREEMENT**

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

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

DATED this 12th day of June, 2006.

Signed in the presence of:

\_\_\_\_\_  
Witness

"Andrew Oestreich"  
Andrew Oestreich

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

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

**AND**  
**IN THE MATTER OF  
ANDREW OESTREICH**  
**ORDER**  
**(Sections 127 and 127.1)**

**WHEREAS** on May 12, 2006, the Commission issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Act* in respect of Andrew Oestreich;

**AND WHEREAS** Oestreich entered into a settlement agreement dated May 16, 2006 (the "Settlement Agreement"), in which the respondent Oestreich agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from the counsel for Oestreich and from Staff of the Commission;

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

**IT IS HEREBY ORDERED THAT:**

1. the Settlement Agreement dated May 16, 2006, attached to this Order as Schedule "1", is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the *Act*, Oestreich shall cease trading in securities for a period of 2 years commencing on the date of this Order;
3. pursuant to clause 6 of subsection 127(1) of the *Act*, Oestreich will be reprimanded;
4. pursuant to subsection 127.1(1)(b) of the *Act*, Oestreich will make a payment in the amount of \$5,000 by certified cheque or bank draft to the Commission in respect of a portion of the costs of the Commission's investigation in relation to Oestreich, such payment to be made at the time of approval of the settlement;
5. pursuant to clause 7 of subsection 127(1) of the *Act* that Oestreich resign all positions that he holds as a director or officer of a reporting issuer; and
6. pursuant to clause 8 of subsection 127(1) of the *Act* that the Respondent is prohibited from

becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of this Order.

DATED at Toronto this \_\_\_\_\_ day of June, 2006.

\_\_\_\_\_

\_\_\_\_\_

**2.2.4 First Global Ventures, S.A., and Allen Grossman - s. 127(7)**

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

**AND**

**FIRST GLOBAL VENTURES, S.A.  
AND ALLEN GROSSMAN**

**ORDER  
Section 127(7)**

**WHEREAS** on May 29, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to section 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that: (a) all trading by First Global Ventures, S.A. ("First Global") and its officers, directors, employees and/or agents in securities cease forthwith; (b) all trading cease in the securities of First Global; and (c) any exemptions in Ontario securities law do not apply to First Global (the "Temporary Order");

**AND WHEREAS** pursuant to section 127(7), a hearing was scheduled for June 13, 2006 at 10:00 a.m. (the "Hearing");

**AND WHEREAS** First Global has been served with the Temporary Order, Notice of Hearing and the Statement of Allegations in this matter, the Affidavit of Jody Sikora sworn May 25, 2006 and the affidavit of Wendell Clarke sworn May 25, 2006 as evidenced by the affidavits of Alice Hewitt sworn June 9, 2006 and the affidavit of Roy Mitchell sworn June 12, 2006;

**AND WHEREAS** on June 13, 2006, the Commission ordered pursuant to section 127(1) of the *Act* that: (a) the Temporary Order is extended to June 28, 2006; and (b) the Hearing is adjourned to June 28, 2006;

**AND WHEREAS** Staff have requested that the Commission make a temporary order pursuant to section 127(5) of the *Act* that: (a) Alan Marsh Shuman cease trading in all securities for a period of fifteen days; and (ii) any exemptions contained in Ontario securities law do not apply to Alan Shuman for a period of 15 days;

**AND WHEREAS** the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in section 127(5) of the *Act*;

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

**IT IS ORDERED** pursuant to section 127(7) of the *Act* that the Temporary Order is extended until the conclusion of the hearing in this matter;

**IT IS FURTHER ORDERED** pursuant to section 127(5) and clause 2 of subsection 127(1) of the *Act* that Alan Marsh Shuman cease trading in all securities;

**IT IS FURTHER ORDERED** pursuant to section 127(5) and clause 3 of subsection 127(1) of the *Act* that any exemptions contained in Ontario securities law do not apply to Alan Marsh Shuman;

**IT IS FURTHER ORDERED** pursuant to section 127(6) of the *Act* that the temporary order against Alan Marsh Shuman shall take effect immediately and shall expire on the 15<sup>th</sup> day after its making unless extended by order of the Commission;

**IT IS FURTHER ORDERED** that First Global cease purchasing the names of potential investors from any company or person while subject to the Temporary Order;

**IT IS FURTHER ORDERED** that the Hearing is adjourned to Thursday, July 13, 2006 at 2:30 p.m.

Dated at Toronto this 28<sup>th</sup> day of June, 2006

"Paul M .Moore"

"Suresh Thakrar

**2.2.5 Maitland Capital Ltd. et al. - s. 127(7)**

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

**AND**

**MAITLAND CAPITAL LTD., ALLEN GROSSMAN,  
HANOUGH ULFAN, LEONARD WADDINGHAM,  
RON GARNER, GORD VALDE, MARIANNE HYACINTHE,  
DIANA CASSIDY, RON CATONE, STEVEN LANYS,  
ROGER MCKENZIE, TOM MEZINSKI,  
WILLIAM ROUSE and JASON SNOW**

**ORDER  
Section 127(7)**

**WHEREAS** on January 24, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to s. 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Act*") that forthwith for a period of 15 days from the date thereof: (a) all trading by Maitland Capital Ltd. ("Maitland") and its officers, directors, employees and/or agents in securities of Maitland shall cease (b) the Respondents cease trading in all securities; and (c) any exemptions in Ontario securities law do not apply to the Respondents (the "Temporary Order");

**AND WHEREAS** pursuant to subsection 127(1) and 127(5) of the *Act*, a hearing was scheduled for February 8, 2006 at 2:00 p.m. (the "Hearing");

**AND WHEREAS** on February 8, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing is adjourned to February 28, 2006 at 9:30 a.m.; and (b) the Temporary Order is extended until February 28, 2006;

**AND WHEREAS** on February 28, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing is adjourned to April 19, 2006 at 9:30 a.m.; and (b) the Temporary Order is extended until April 19, 2006;

**AND WHEREAS** on April 19, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing is adjourned to May 29, 2006; (b) the Temporary Order is extended until May 29, 2006; and (c) Staff provide disclosure to the Respondents by April 28, 2006;

**AND WHEREAS** on May 29, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing is adjourned to June 28, 2006; and (b) the Temporary Order is extended until June 28, 2006;

**AND WHEREAS** Staff have filed the affidavit of Sabine Dobell sworn February 2, 2006 and the affidavit of Bryan Gourlie sworn November 7, 2005 in support of Staff's request to extend the Temporary Order;

**AND WHEREAS** counsel for Maitland and Allen Grossman, counsel for Hanoch Ulfan and counsel for Steven Lanys do not oppose an extension of the Temporary Order;

**AND WHEREAS** Tom Mezinski has not appeared although duly served with the Temporary Order, the Notice of Hearing and Statement of Allegations as evidenced by the affidavits of service filed as exhibits in this proceeding;

**AND WHEREAS** Marianne Hyacinthe appeared before the Commission on February 8, 2006 and received a copy of the Order dated February 8, 2006 but did not appear before the Commission on February 28, 2006, April 19, 2006, May 29, 2006 or today;

**AND WHEREAS** Ron Garner has not appeared although duly served with the Temporary Order, the Notice of Hearing, the Statement of Allegations and the Order dated February 8, 2006 as evidenced by the affidavits of service filed as exhibits in this proceeding;

**AND WHEREAS** Staff have advised that two Respondents, namely Ron Catone and Jason Snow, have not been served with the Temporary Order, Notice of Hearing or the Statement of Allegations in this matter notwithstanding attempts at service as evidenced by the affidavits of attempted service filed as exhibits in this proceeding;

**AND WHEREAS** Staff have advised that Staff provided disclosure on April 28, 2006 to the parties who responded to the Notice of Hearing;

**AND WHEREAS** Staff have advised that section 122 proceedings were commenced against Hanoch Ulfan, Allen Grossman and Maitland on May 19, 2006;

**AND WHEREAS** counsel for Maitland and Allen Grossman has advised that Maitland and Allen Grossman intend to bring a motion returnable September 12, 2006 to stay or adjourn the section 127 proceedings against Maitland and Allen Grossman and counsel for Hanoch Ulfan has advised that Hanoch Ulfan likely intends to bring a similar motion returnable September 12, 2006;

**IT IS ORDERED** pursuant to subsection 127(7) of the Act that:

- (a) the Hearing is adjourned to September 12, 2006 at 10:00 a.m.; and
- (b) the Temporary Order is extended until September 12, 2006.

Dated at Toronto this 28<sup>th</sup> day of June, 2006

"Paul M. Moore"

"Suresh Thakrar"

## Chapter 3

# Reasons: Decisions, Orders and Rulings

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### 3.1 OSC Decisions, Orders and Rulings

#### 3.1.1 Peter Vultaggio

**IN THE MATTER OF  
AN APPLICATION FOR REGISTRATION OF  
PETER VULTAGGIO**

**OPPORTUNITY TO BE HEARD BY THE DIRECTOR  
UNDER SUBSECTION 26(3)  
OF THE SECURITIES ACT**

**Date:** June 27, 2006

**Director:** David M. Gilkes  
Manager, Registrant Regulation  
Capital Markets Branch

**Submissions:** Les Daiter For Ontario Securities Commission staff  
Pierre Fréreau For Peter Vultaggio

#### Overview

1. This decision relates to the application of Mr. Vultaggio (also referred to as the **Applicant**) for registration as a salesperson for Triglobal Capital Management Inc. (**Triglobal**) a firm registered in the category of mutual fund dealer. Ontario Securities Commission (**OSC**) staff has recommended that the Director refuse to grant registration.

#### Background

2. Mr. Vultaggio was registered as a mutual fund dealer salesperson under the *Securities Act* (the **Act**) sponsored by Iforum Financial Services Inc. (**Iforum**) from September 20, 2004 until August 12, 2005. In addition, Mr. Vultaggio has been registered in the province of Quebec as a representative – group savings plan & scholarship plan since May 1994.

3. In August 2005 an application for the transfer of the registration of Mr. Vultaggio was received. A termination notice had not been received at this time and when it was received it indicated that he had resigned for cause from Iforum effective August 12, 2005. In November 2005 Mr. Vultaggio was contacted by OSC staff to obtain further details relating to his resignation. In his reply, Mr. Vultaggio cited a misunderstanding and said he had resigned from Iforum on July 5, 2005.

4. On November 30, 2005 OSC staff sent Mr. Vultaggio a letter by way of registered mail, notifying him of Staff's recommendation that the request for the transfer of his registration to Triglobal be refused.

5. On December 16, 2005 staff received a letter from Mr. Vultaggio indicating that he wished to exercise his right for an Opportunity to be Heard (**OTBH**) by the Director. Subsection 26(3) of the Act 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. OSC staff made their submission on May 16, 2006 and counsel to Mr. Vultaggio made his submission on June 1, 2006.

#### Submissions

7. Paragraphs 4, 5 and 6 of the OSC staff submission provide the details of their concerns with Mr. Vultaggio.

8. A joint audit by the Mutual Fund Dealers Association (**MFDA**) and the Autorité des marchés financiers (**AMF**) covering the period March 2004 to December 2004 uncovered frequent trading in a number of Mr. Vultaggio's client accounts. As a result these accounts incurred a significant amount of deferred sales charges.

9. Iforum had commenced an internal investigation into Mr. Vultaggio's transactions in November 2004. Iforum noted that Mr. Vultaggio had received \$420,000 in commissions in 2004, a very high amount of commission income. Iforum put Mr. Vultaggio under close supervision in December 2004 and remained under close supervision until he resigned.

10. The MFDA/AMF audit identified a number of Quebec residents that were affected by Mr. Vultaggio's frequent trading. As a result the Chambre de la sécurité financière (**Chambre**) in Quebec started an investigation into the activities of Mr. Vultaggio. The Chambre has not provided all the findings from their investigation but did say that there were 11 accounts reviewed for excessive and unauthorized trading. They also said that the 11 clients were elderly with an average age of 80.

11. Mr. Vultaggio's submission responded to the OSC staff submission paragraph by paragraph. In response to paragraph 4 counsel noted that Mr. Vultaggio was not at Iforum when the audit took place so he ignores that paragraph. Similarly, paragraph 5 was also ignored other than the reference to the amount of commission income. Finally, in response to paragraph 6 Mr. Vultaggio denied the allegations and noted that it contained incorrect information. For example, the average age of the clients in question was 67.

### Suitability for Registration

12. A registrant is in a position to perform valuable services to the public, both in the form of direct services to individual investors and as part of the larger system that provides the public benefits of fair and efficient capital markets. A registrant also has a corresponding capacity to do material harm to individual investors and the public at large.

13. Determining whether an applicant should be registered is an important component of the work undertaken by OSC staff to protect investors and foster confidence in the capital markets. This point was made in the Mithras decision that reads in part:

... the role of the Commission is to protect the public interest by removing from the capital markets -- wholly or partially, permanently or temporarily, as the circumstances may warrant -- those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In doing so we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all.

*Re Mithras Management Ltd.*, (1990) 13 OSCB 1600

14. The standard for suitability is based on three well established criteria that have been identified by the OSC:

The [Registrant Regulation] section administers a registration system which is intended to ensure that all Applicants under the *Securities Act* and the *Commodity Futures Act* meet appropriate standards of integrity, competence and financial soundness ...

Ontario Securities Commission, *Annual Report 1991*, Page 16

15. The meanings of the criteria for the purposes of determining suitability for registration are not defined in Ontario securities legislation but OSC staff consider:

- **integrity** includes honesty and good faith, particularly in dealings with clients, and compliance with Ontario securities law;
- **competence** includes prescribed proficiency and knowledge of the requirements of Ontario securities law; and
- **financial soundness** is an indicator of a firm's capacity to fulfill its obligations and can be an indicator of the risk that an individual will engage in self-interested activities at the expense of clients.

### Decision and Reasons

16. The submission made on behalf of Mr. Vultaggio does not refute the allegations made in the OSC staff submission. There are no business reasons or other reasons given for the excessive and unauthorized trading in client accounts.

**Reasons: Decisions, Orders and Rulings**

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17. The results of the joint MFDA/AMF, the investigation by Iforum and the subsequent investigation of the Chambre all surround the issue of excessive trading. All the findings of the investigation by the Chambre are not known at this time. However, the limited facts support the allegations.

18. Having reviewed all the information provided to me, I find that the Applicant has not demonstrated the high standard of integrity required of a professional in the securities industry. Therefore, I refuse to grant the Applicant registration as a mutual fund dealer salesperson.

June 27, 2006

“David M. Gilkes”

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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

**NO REPORT FOR THIS WEEK.**

### 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
Airesurf Networks Holdings Inc.	02 May 06	15 May 06	15 May 06	05 Jul 06	
MedX Health Corp.	02 May 06	15 May 06	15 May 06	04 Jul 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	05 Jul 06	
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Cognos Incorporated	01 Jun 06	14 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		
Foccini International Inc.	02 May 06	15 May 06	15 May 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	04 Jul 06	
Mindready Solutions Inc.	06 Apr 06	19 Apr 06	19 Apr 06		

**Cease Trading Orders**

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<b>Company Name</b>	<b>Date of Order or Temporary Order</b>	<b>Date of Hearing</b>	<b>Date of Extending Order</b>	<b>Date of Lapse/ Expire</b>	<b>Date of Issuer Temporary Order</b>
Neotel International Inc.	02 Jun 06	15 Jun 06	15 Jun 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		
Simplex Solutions Inc.	02 May 06	15 May 06	15 May 06		

## Chapter 7

# Insider Reporting

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This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see [www.carswell.com](http://www.carswell.com)).

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

To obtain Insider Reporting information, please visit the SEDI website ([www.sedi.ca](http://www.sedi.ca)).

## Chapter 8

# Notice of Exempt Financings

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### REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND FORM 45-501F1

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price (\$)	No of Securities Distributed
01/04/2005 to 11/30/2005	76	AIC American Focused Plus Fund - Units	1,082,616.00	97,013.00
06/09/2006 to 06/16/2006	2	ALL Group Financial Services Inc. - Notes	187,500.00	2.00
06/22/2006	18	Arrabiata Capital Corp. - Common Shares	500,000.00	5,000,000.00
05/31/2006	18	BioMS Medical Corp. - Units	15,027,188.00	4,406,800.00
06/16/2006	17	Blue Line Innovations, Inc. - Common Shares	1,033,000.00	3,444,476.00
06/21/2006	16	BrazAlta Resources Corp. - Common Shares	5,000,600.00	4,546,000.00
05/31/2006	1	CablesEdge Software Inc. - Units	645,000.00	645,000.00
06/14/2006	1	Caledonia Mining Corporation - Rights	2,400,000.00	20,000,000.00
06/19/2006	11	Canadian Hydro Developers, Inc. - Debentures	148,000,000.00	NA
06/20/2006	24	CareVest Blended Mortgage Investment Corporation - Preferred Shares	1,205,073.00	1,205,073.00
06/20/2006	29	CareVest First Mortgage Investment Corporation - Preferred Shares	1,427,737.00	1,427,737.00
02/01/2006	11	Cascadero Copper Corporation - Units	505,000.00	3,366,667.00
06/22/2006	7	Claret Trust - Certificate	32,533,545.49	NA
06/20/2006	1	Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. - Note	250,000,000.00	1.00
03/21/2006 to 06/15/2006	5	Craton Gold Ltd. - Units	170,514.25	3,160,285.00
06/14/2006	18	Cross Lake Minerals Ltd. - Flow-Through Units	5,474,750.25	7,299,667.00
06/14/2006	22	Cross Lake Minerals Ltd. - Units	4,726,800.00	7,272,000.00
06/21/2006	14	Crowflight Minerals Inc. - Flow-Through Shares	5,208,300.00	17,361,000.00
06/19/2006	37	Discovery Air Inc. - Units	18,329,351.40	12,141,840.00
06/15/2006	5	Dollar Financial Corp. - Common Shares	15,402,457.13	825,000.00
05/31/2006	166	Duvernay Oil Corp. - Flow-Through Shares	56,000,000.00	10,000,000.00
06/16/2006	2	Endurance Gold Corporation - Units	300,000.00	1,000,000.00
03/11/2005 to 12/31/2005	114	ESI Managed Portfolio - Units	17,288,940.00	1,719,332.53

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
06/20/2006	9	Exploration Tom Inc. - Flow-Through Shares	143,100.00	477,000.00
05/03/2006	26	Flying a Petroleum Ltd. - Units	614,250.00	2,005,000.00
06/19/2006 to 06/23/2006	17	General Motors Acceptance Corporation of Canada, Limited - Notes	4,701,422.59	47,014.23
06/23/2006	2	Geophysical Prospecting Inc. - Common Shares	10,000.00	200,000.00
01/13/2005 to 11/30/2005	4	GIIC Global Fund - Units	193,837,159.98	18,490,244.45
06/01/2006 to 06/12/2006	3	Global Trader Canada Inc. - Special Trust Securities	599.00	NA
06/07/2006	13	Holloway Lodging Real Estate Investment Trust - Units	860,000.00	430,000.00
06/19/2006	1	IG Realty Investments Inc. - Common Shares	5,000,154.00	38,140.00
06/14/2006	1	Just Iced Cubed Holdings Inc. - Common Shares	200,000.00	1,850,375.00
10/01/2005 to 12/28/2005	2	J.P. Morgan Pooled U.S. Corporate Finance Institutional Investors III LLC - Limited Liability Interest	38,811,150.00	NA
10/01/2005 to 12/28/2005	2	J.P. Morgan Direct U.S. Corporate Finance Institutional Investors III LLC - Limited Liability Interest	12,937,050.00	NA
06/08/2006	77	Kereco Energy Ltd. - Flow-Through Shares	21,975,000.00	1,500,000.00
05/31/2006	3	Kingwest Avenue Portfolio - Units	232,000.00	7,847.09
05/10/2006	74	KKR Private Equity Investors L.P. - Units	99,547,308.00	3,617,600.00
06/25/2006	1	Lakefield Marketing Corporation - Common Shares	50,000.00	1,000,000.00
12/07/2005 to 06/09/2006	11	Menova Energy Inc. - Units	600,000.00	NA
05/11/2006	165	MTM Income Trust - Units	107,250.00	107,250.00
06/07/2006	24	Musicrypt Inc. - Units	818,000.00	4,090,000.00
06/27/2006	3	Noble House Entertainment Inc. - Units	1,730,262.00	3,080,000.00
04/08/2005 to 12/31/2005	15	Oakstreet Income Fund - Units	541,700.00	54,391.62
01/01/2005 to 12/31/2005	68	Onefund Diversified Plus - Units	3,104,788.00	302,037.70
06/07/2006	22	Peace Arch Entertainment Group Inc. - Common Shares	9,075,000.00	7,500,000.00
12/28/2005	7	Phoenix Matachewan Mines Inc. - Units	270,990.00	3,011,000.00
06/01/2006	1	Renaissance Institutional Equities Fund International L.P. - Limited Partnership Interest	332,970.00	300,000.00
06/12/2006	5	R&B Oilfield Rentals Inc. - Common Shares	84,500.00	84,500.00
06/29/2006	16	Seabridge Gold Inc. - Common Shares	3,656,250.00	325,000.00
06/26/2006	1	SMART Trust - Note	613,279.48	1.00

**Notice of Exempt Financings**

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<b>Transaction Date</b>	<b>No of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
06/13/2006	17	Sonomax Hearing Healthcare Inc. - Common Shares	810,000.00	4,050,000.00
06/01/2006	1	Spartan Arbitrage Fund Limited Partnership - Units	500,000.00	700.00
06/01/2006	31	Stirling Exploration Ltd. - Units	2,224,100.00	4,448,200.00
06/23/2006	1	Stone Energy Corporation - Notes	4,496,400.00	4,000.00
06/12/2006	14	Timbercreek Real Estate Investment Trust - Units	5,170,396.00	487,313.42
05/30/2006	1	Trez Capital Corporation - Mortgage	250,000.00	1.00
05/24/2006	83	Volcanic Metals Exploration Inc. - Units	2,500,000.00	5,000,000.00
06/15/2006	37	Wedge Energy Inc. - Common Shares	2,584,400.00	3,898,800.00
03/03/2006	23	Wedge Energy Inc. - Common Shares	39,250.00	5,275,000.00
06/05/2006	10	Windarra Minerals Ltd. - Units	100,000.00	400,000.00
06/23/2006	1	Yamana Gold Inc. - Common Shares	919,231.21	89,944.00

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## Chapter 11

# IPOs, New Issues and Secondary Financings

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**Issuer Name:**

AGS Energy 2006-2 Limited Partnership  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 30, 2006  
Mutual Reliance Review System Receipt dated June 30, 2006

**Offering Price and Description:**

\$30,000,000.00 Maximum -1,200,000 Limited Partnership Units

Subscription Price: \$25.00. Minimum Purchase: 200 Units

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

BMO Nesbitt Burns Inc.  
National Bank Financial Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
FirstEnergy Capital Corp.  
Tristone Capital Inc.  
Blackmont Capital Inc.  
Dundee Securities Corporation  
HSBC Securities (Canada) Inc.  
Richardson Partners Financial Limited  
Berkshire Securities Inc.  
Canaccord Capital Corporation  
GMP Securities L.P.  
Queensbury Securities Inc.  
Raymond James Ltd.

**Promoter(s):**

AGS Resource 2006-2 GP Inc.

**Project #960714**

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**Issuer Name:**

Trimark Diversified Income Class  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 30, 2006

**Offering Price and Description:**

Series I shares @ net asset value

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

AIM FUNDS MANAGEMENT INC.

**Project #959989**

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**Issuer Name:**

BlackWatch Energy Services Trust  
Principal Regulator – Alberta

**Type and Date:**

Preliminary Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

\$ \* - \* Trust Units

Price: \$ \* per Trust Unit

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

Blackmont Capital Inc.  
CIBC World Markets Inc.  
National Bank Financial Inc.  
Raymond James Ltd.

**Promoter(s):**

Kevin A. Bennett

**Project #960332**

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**Issuer Name:**

First Metals Inc.  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Preliminary Prospectus dated June 29, 2006  
Mutual Reliance Review System Receipt dated June 30, 2006

**Offering Price and Description:**

\$10,000,000.00 through issuance of (i) \* Flow-Through Common Shares and (ii) \* Units comprised of Common Shares and Common Share Purchase Warrants  
Price: \$ \* per Flow-Through Share and \$ \* 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**

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**Issuer Name:**

Hostopia.com Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 30, 2006  
Mutual Reliance Review System Receipt dated June 30, 2006

**Offering Price and Description:**

\$ \* - \* Shares of Common Stock  
Price: \$ \* per Share

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

RBC Dominion Securities Inc.

**Promoter(s):**

-

**Project #**960739

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**Issuer Name:**

Institutional Managed Income Pool  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated June 30, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006

**Offering Price and Description:**

Class A Units

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

United Financial Corporation  
Assante Capital Mangement Ltd.  
Iqon Financial Inc.  
Assante Financial Management Ltd.

**Promoter(s):**

United Financial Corporation

**Project #**960864

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**Issuer Name:**

Interlude Capital Corp.  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Prospectus dated June 27, 2006  
Mutual Reliance Review System Receipt dated June 30<sup>th</sup>, 2006

**Offering Price and Description:**

-

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

Canaccord Capital Corporation

**Promoter(s):**

Kirk E. Exner  
**Project #**960581

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**Issuer Name:**

Meritus Minerals Ltd.  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Prospectus dated June 29, 2006  
Mutual Reliance Review System Receipt dated June 30, 2006

**Offering Price and Description:**

\$1,250,000.00 to \$1,500,000.00  
Minimum 5,000,000 Common Shares and a  
Maximum 6,000,000 Common Shares  
Price: \$0.25 per Common Share

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

Global Securities Corporation

**Promoter(s):**

Terence E. Bates

**Project #**960884

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**Issuer Name:**

NewWest Gold Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Amended and Restated Preliminary Prospectus dated June 30<sup>th</sup>, 2006  
Mutual Reliance Review System Receipt dated June 30<sup>th</sup>, 2006

**Offering Price and Description:**

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

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

Canaccord Capital Corporation  
GMP Securities L.P.  
Wellington West Capital Markets Inc.

**Promoter(s):**

-

**Project #**953974

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**Issuer Name:**

NexgenRx Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated June 29<sup>th</sup>, 2006  
Mutual Reliance Review System Receipt dated June 30<sup>th</sup>, 2006

**Offering Price and Description:**

up to \* Common Shares (\$4,500,000.00)

-and-

5,945,200 Common Shares issuable upon the conversion  
of \$1,363,560 aggregate principal amount  
of outstanding Convertible Debentures

Price: \$ \* per Common Share

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

Standard Securities Capital Corporation

**Promoter(s):**

Ronald C. Loucks

**Project #**960421

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**Issuer Name:**

SEMAFO INC.  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Short Form Prospectus dated June 29, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

\$22,550,000.00 - 11,000,000 Common Shares  
Price: \$2.05 per Common Share

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

Westwind Partners Inc.  
Merrill Lynch Canada Inc.  
Haywood Securities Inc.  
BMO Nesbitt Burns Inc.

**Promoter(s):**

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**Project #959748**

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**Issuer Name:**

WesternOne Equity Income Fund  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

\$ \* - \* Units and \$ \* 5 Year, 9% Senior Secured Convertible  
Debentures - Series A  
Price \$ \* per Unit and \$100 per Series A Debenture

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

Blackmont Capital Inc.  
Dundee Securities Corporation  
Sora Group Wealth Advisors Inc.

**Promoter(s):**

Darren Financial Group Inc.

**Project #959287**

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**Issuer Name:**

Advanced Folio Fund  
Aggressive Folio Fund  
Balanced Folio Fund  
Conservative Folio Fund  
GWLIM Canadian Growth Fund  
GWLIM Canadian Mid Cap Fund  
GWLIM Corporate Bond Fund  
GWLIM US Mid Cap Fund  
LLIM Canadian Bond Fund  
LLIM Canadian Diversified Equity Fund  
LLIM Income Plus Fund  
LLIM US Equity Fund  
LLIM US Growth Sectors Fund  
Mackenzie Ivy European Capital Class  
Mackenzie Maxxum Canadian Balanced Fund  
Mackenzie Maxxum Canadian Equity Growth Fund  
Mackenzie Maxxum Dividend Fund  
Mackenzie Maxxum Money Market Fund  
Mackenzie Select Managers Canada Fund  
Mackenzie Select Managers Far East Capital Class  
Mackenzie Universal American Growth Capital Class  
Mackenzie Universal Canadian Resource Fund  
Mackenzie Universal Emerging Markets Capital Class  
Mackenzie Universal Global Future Fund  
Mackenzie Universal Precious Metals Fund  
Mackenzie Universal U.S. Growth Leaders Fund  
Moderate Folio Fund  
Quadrus AIM Canadian Equity Growth Fund  
Quadrus Canadian Equity Corporate Class  
Quadrus Canadian Specialty Corporate Class  
Quadrus Cash Management Corporate Class  
Quadrus Fixed Income Corporate Class  
Quadrus Laketon Fixed Income Fund  
Quadrus Templeton Canadian Equity Fund  
Quadrus Templeton International Equity Fund  
Quadrus Trimark Balanced Fund  
Quadrus Trimark Global Equity Fund  
Quadrus US and International Equity Corporate Class  
Quadrus US and International Specialty Corporate Class  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 26, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

Quadrus Series and H Series

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

Quadrus Investment Services Ltd.  
Quadrus Investment Services Ltd.  
Quadrus Investments Services Ltd.  
Quadrus Investment Services Inc.  
none

**Promoter(s):**

Mackenzie Financial Corporation

**Project #943907**

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**Issuer Name:**

Altair Ventures Incorporated  
Principal Regulator - British Columbia

**Type and Date:**

Final Prospectus dated June 27, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

\$300,000.00 - 3,000,000 Shares Price: \$0.10

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

Canaccord Capital Corporation

**Promoter(s):**

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**Project #945744**

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**Issuer Name:**

Canadian Scholarship Trust Family Savings Plan  
Canadian Scholarship Trust Individual Savings Plan  
Canadian Scholarship Trust Group Savings Plan 2001  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated June 27, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

Mutual fund units at net asset value

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

-

**Promoter(s):**

-

**Project #923324,923318,923320**

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**Issuer Name:**

CAPVEST Income Corp.  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

Rights to subscribe for common shares

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

Blackmont Capital Inc.

**Promoter(s):**

John F. Driscoll

**Project #955536**

**Issuer Name:**

Covington Fund I Inc.

**Type and Date:**

Amendment #1 dated June 26, 2006 to Final Prospectus dated February 9, 2006  
Received on June 29, 2006

**Offering Price and Description:**

-

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

-

**Promoter(s):**

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**Project #876954**

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**Issuer Name:**

Disciplined Leadership Canadian Equity Fund  
Disciplined Leadership High Income Fund  
Disciplined Leadership U.S. Equity Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 22, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

Series A, F and O Units

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

n/a

**Promoter(s):**

KBSH Capital Management Inc.

**Project #941534**

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**Issuer Name:**

EM Resources Inc.

**Type and Date:**

Final Prospectus dated June 28, 2006  
Received on June 29, 2006

**Offering Price and Description:**

\$180,000.00 - 1,200,000 Shares \$0.15 per Common Share

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

Northern Securities Inc.

**Promoter(s):**

Eduard H Ludwig

**Project #924490**

**Issuer Name:**

LTT Capital Corp.  
Principal Regulator - British Columbia

**Type and Date:**

Final Prospectus dated June 27, 2006  
Mutual Reliance Review System Receipt dated June 29, 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

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**Issuer Name:**

Mackenzie Cundill Canadian Balanced Fund  
Mackenzie Cundill Global Balanced Fund  
Mackenzie Ivy Growth and Income Fund  
Mackenzie Maxxum Canadian Balanced Fund  
Mackenzie Maxxum Monthly Income Fund  
Mackenzie Sentinel Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #6 dated June 26, 2006 to Final Simplified Prospectuses and Annual Information Forms dated November 30, 2005  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

-

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

Quadrus Investment Services Ltd.

**Promoter(s):**

Mackenzie Financial Corporation  
Project #842703

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**Issuer Name:**

MD Balanced Fund  
MD Bond and Mortgage Fund  
MD Bond Fund  
MD Dividend Fund  
MD Equity Fund  
MD Growth Investments Limited  
MD International Growth Fund  
MD International Value Fund  
MD Money Fund  
MD Select Fund  
MD US Large Cap Growth Fund  
MD US Large Cap Value Fund  
MD US Small Cap Growth Fund  
MDPIM Canadian Equity Pool  
MDPIM US Equity Pool  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 28, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006

**Offering Price and Description:**

Mutual fund securities at net asset value

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

MD Management Limited

**Promoter(s):**

-

Project #950443

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**Issuer Name:**

Merrill Lynch Canada Finance Company  
Merrill Lynch & Co., Canada Ltd.  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Shelf Prospectuses dated June 30, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006

**Offering Price and Description:**

-

**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):**

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Project #952259

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**Issuer Name:**

Merrill Lynch & Co., Canada Ltd.  
Merrill Lynch Canada Finance Company  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Shelf Prospectuses dated June 30, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006

**Offering Price and Description:**

-

**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):**

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**Project #952266**

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**Issuer Name:**

Ontario Teachers' Group Balanced Fund  
Ontario Teachers' Group Diversified Fund  
Ontario Teachers' Group Dividend Fund  
Ontario Teachers' Group Global Fund  
Ontario Teachers' Group Growth Fund  
Ontario Teachers' Group Money Market Fund  
Ontario Teachers' Group Mortgage & Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated June 30, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006

**Offering Price and Description:**

Class A and Class B units

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

OTG Financial Inc.  
OTG Financial Inc.

**Promoter(s):**

OTG Financial Inc.

**Project #952271**

**Issuer Name:**

Pisces Capital Corp.  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

Minimum Offering: \$450,000.00 or 3,000,000 Common Shares;

Maximum Offering: \$600,000.00 or 4,000,000 Common Shares

Price: \$0.15 per Common Share

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

Leede Financial Markets Inc.

**Promoter(s):**

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**Project #947672**

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**Issuer Name:**

Quadrus Fixed Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus dated June 26, 2006  
Mutual Reliance Review System Receipt dated June 28, 2006

**Offering Price and Description:**

Series O Units

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

-

**Promoter(s):**

-

**Project #944049**

**Issuer Name:**

RBC \$U.S. Income Fund  
RBC \$U.S. Money Market Fund  
RBC Advisor Canadian Bond Fund  
RBC Asian Equity Fund  
RBC Balanced Fund  
RBC Balanced Growth Fund  
RBC North American Dividend Fund (formerly RBC Blue Chip Canadian Equity Fund)  
RBC Bond Fund  
RBC Canadian Bond Index Fund  
RBC Canadian Diversified Income Trust Fund  
RBC Canadian Equity Fund  
RBC North American Growth Fund (formerly RBC Canadian Growth Fund)  
RBC Canadian Index Fund  
RBC Canadian Money Market Fund  
RBC Canadian Short-Term Income Fund  
RBC Canadian T-Bill Fund  
RBC North American Value Fund (formerly RBC Canadian Value Fund)  
RBC Cash Flow Portfolio  
RBC Canadian Dividend Fund (formerly RBC Dividend Fund)  
RBC Global Energy Fund (formerly RBC Energy Fund)  
RBC Enhanced Cash Flow Portfolio  
RBC European Equity Fund  
RBC Global Bond Fund  
RBC Global Corporate Bond Fund  
RBC Global Consumer and Financials Fund (formerly RBC Global Financial Services Sector Fund)  
RBC Global Health Sciences Fund (formerly RBC Global Health Sciences Sector Fund)  
RBC Global High Yield Fund  
RBC Global Resources Fund (formerly RBC Global Resources Sector Fund)  
RBC Global Technology Fund (formerly RBC Global Technology Sector Fund)  
RBC Global Titans Fund  
RBC International Equity Fund  
RBC International Index Currency Neutral Fund (formerly RBC International RSP Index Fund)  
RBC Life Science and Technology Fund  
RBC Monthly Income Fund  
RBC O'Shaughnessy Canadian Equity Fund  
RBC O'Shaughnessy International Equity Fund  
RBC O'Shaughnessy U.S. Growth Fund  
RBC O'Shaughnessy U.S. Value Fund  
RBC Global Precious Metals Fund (formerly RBC Precious Metals Fund)  
RBC Premium Money Market Fund  
RBC Select Balanced Portfolio  
RBC Select Choices Aggressive Growth Portfolio  
RBC Select Choices Balanced Portfolio  
RBC Select Choices Conservative Portfolio  
RBC Select Choices Growth Portfolio  
RBC Select Conservative Portfolio  
RBC Select Growth Portfolio  
RBC Target 2010 Education Fund  
RBC Target 2015 Education Fund  
RBC Target 2020 Education Fund  
RBC Tax Managed Return Fund  
RBC U.S. Equity Currency Neutral Fund

RBC U.S. Equity Fund  
RBC U.S. Index Fund  
RBC U.S. Mid-Cap Equity Currency Neutral Fund  
RBC U.S. Mid-Cap Equity Fund  
RBC U.S. Index Currency Neutral Fund (formerly RBC U.S. RSP Index Fund)  
Principal Regulator - Ontario  
**Type and Date:**  
Final Simplified Prospectuses dated July 4, 2006  
Mutual Reliance Review System Receipt dated July 4, 2006  
**Offering Price and Description:**  
-  
**Underwriter(s) or Distributor(s):**  
Royal Mutual Funds Inc.  
Royal Mutual Funds Inc.  
RBC Asset Management Inc.  
RBC Dominion Securities Inc.  
**Promoter(s):**  
RBC Asset Management Inc.  
**Project #945357**

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**Issuer Name:**

Social Housing Canadian Bond Fund  
Social Housing Canadian Equity Fund  
Social Housing Canadian Money Market Fund  
Social Housing Canadian Short-Term Bond Fund  
**Type and Date:**  
Final Simplified Prospectuses dated June 27, 2006  
Received on June 28, 2006  
**Offering Price and Description:**  
Series A Units  
**Underwriter(s) or Distributor(s):**  
Phillips, Hager & North Investment Funds Ltd.  
Phillips, Hager & North Investment Funds Ltd.  
**Promoter(s):**  
SHSC Financial Inc.  
**Project #942209**

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**Issuer Name:**

The GS+A RRSP Fund  
Principal Regulator - Ontario  
**Type and Date:**  
Final Simplified Prospectus dated June 26, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006  
**Offering Price and Description:**  
Mutual fund trust units at net asset value  
**Underwriter(s) or Distributor(s):**  
Gluskin Sheff & Associates Inc.  
**Promoter(s):**  
-  
**Project #945475**

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**Issuer Name:**

Timmins Gold Corp.  
Principal Regulator - British Columbia

**Type and Date:**

Final Prospectus dated June 28, 2006  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

\$3,150,000.00 - Minimum Offering of 7,000,000 Units;  
Maximum Offering of 9,000,000 Units \$0.35 per Unit

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

Bolder Investment Partners Ltd.

**Promoter(s):**

Arturo Bonillas  
Bruce Bragagnolo  
**Project #928656**

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**Issuer Name:**

Venturelink Brighter Future (Equity) Fund Inc.  
Principal Regulator - Ontario

**Type and Date:**

Amendment #3 dated June 26, 2006 to Final Prospectus dated August 26, 2005  
Mutual Reliance Review System Receipt dated June 29, 2006

**Offering Price and Description:**

Class A Shares, Series III and Class A Shares, Series IV

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

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**Promoter(s):**

CFPA Sponsor Inc.  
Skylon Advisors Inc.  
**Project #811458**

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## Chapter 12

# Registrations

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### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Change of Name	<b>From:</b> Brascan Asset Management Inc. <b>To:</b> Brookfield Investment Funds Management Inc.	Limited Market Dealer and Investment Counsel & Portfolio Manager	June 27, 2006
New Registration	Santa Barbara Asset Management, LLC	International Advisor (Investment Counsel & Portfolio Manager)	June 28, 2006
New Registration	Salida Trading LP	Commodity Trading Manager	June 29, 2006



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## Chapter 13

# SRO Notices and Disciplinary Proceedings

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### 13.1.1 RS Disciplinary Notice - Raymond James Ltd. and Marc Deslongchamps

June 30, 2006

#### Participant and Person Disciplined

On June 30, 2006, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") approved settlement agreements (the "Settlement Agreements") concerning Raymond James Ltd. ("Raymond James") and Marc Deslongchamps ("Deslongchamps").

#### Requirements Contravened

Under the terms of the Settlement Agreements, Raymond James and Deslongchamps admit that the following requirements were contravened:

#### Raymond James Ltd.

- (i) In the period February 2003 to February 2005, Raymond James contravened UMIR 5.3(1) and 5.3(2) (client priority), 5.3(6) (failure to record client consent), 6.2(1)(b) (order marking) and 10.11(1) (audit trail) on numerous occasions.
- (ii) In the period July 2003 to February 2005, Raymond James failed to comply with its trading supervision obligations under UMIR 7.1(1) and Policy 7.1.

#### Deslongchamps

- (i) Between February 2003 and February 2005, Deslongchamps failed to comply with his trading supervision obligations under UMIR 7.1(4) and Policy 7.1.

#### Sanctions Approved

The following sanctions were approved:

#### Raymond James

- (a) A fine of \$400,000.00 payable by Raymond James to RS; and,
- (b) Costs of \$125,000.00 payable to RS.

#### Deslongchamps

- (a) A fine of \$50,000.000 payable by Deslongchamps to RS.

- (b) Prohibition against acting in a supervisory capacity for a period of 1 year.

#### Summary of Facts

In the period February 2003 to February 2005, trading by certain Raymond James traders, under the direction of Deslongchamps and including trading by Deslongchamps himself, resulted in numerous client priority, audit trail and order marking violations.

In the period July 2003 to February 2005, Raymond James' institutional trading supervision and compliance system was not reasonably designed at any level to prevent and detect these violations. The Manager of Compliance at Raymond James used a flawed methodology to test for possible client priority issues (including client consent requirements) under UMIR 5.3. The flawed nature of the testing for client priority resulted in ongoing trade and audit trail problems not being escalated at Raymond James. Raymond James took no effective steps to ensure that Deslongchamps carried out his trading supervision obligations, in relation to himself and the traders he oversaw, by obtaining and/or recording client consent to trade ahead or alongside clients and by fulfilling audit trail requirements under UMIR.

Between February 2003 and February 2005, Deslongchamps failed to fulfill his supervisory responsibilities as the supervisor of institutional trading and proprietary trading. Deslongchamps took no effective steps to supervise the Raymond James traders to ensure compliance with client priority and audit trail requirements under UMIR. Deslongchamps' trading or trading he oversaw resulted in the majority of the client priority and related violations.

As a result of RS's investigation and the 2005 Trade Desk Review conducted by RS, Raymond James has advised that the methodology for reviewing trades for client priority and client consent issues is now more detailed. In addition, Raymond James has retained the services of an independent consultant to conduct a review of both its Policies & Procedures Manual and its supervisory and compliance practices in relation to its institutional trade desk, which will include testing against the specific requirements of UMIR.

#### Further Information

Participants who require additional information should direct questions to Maureen Jensen, Vice President, Market Regulation, Eastern Region, Market Regulation Services Inc. at 416-646-7216.

### About Market Regulation Services Inc.

Market Regulation Services Inc. ("RS") is the regulation services provider for Canadian equity markets including the TSX, TSX Venture Exchange, Canadian Trading and Quotation System, Bloomberg Tradebook Canada Company, Liquidnet Canada Inc. and Markets Securities Inc., RS is recognized by the *Autorité des marchés financiers* in Québec and the securities commissions of Ontario, Manitoba, Alberta and British Columbia to regulate the trading of securities on these marketplaces by participant firms and their trading and sales staff. RS is mandated to conduct its regulatory activities in a neutral, cost-effective, service-oriented and responsive manner.

### 13.1.2 RS Disciplinary Notice - TD Securities Inc.

#### Participant Disciplined

On July 5, 2006, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") approved a settlement agreement (the "Settlement Agreement") concerning TD Securities Inc. ("TDSI").

#### Requirements Contravened

Under the terms of the Settlement Agreement, TDSI admits that on hundreds of occasions between December 2003 and January 2005 the following requirements were contravened:

- (a) UMIR 5.1 [best execution obligation for client orders];
- (b) UMIR 6.3(1) [exposure of client orders];
- (c) UMIR 10.11(1) [audit trail]; and,
- (d) UMIR 10.12(1) [retention of records],

and in addition, between December 2003 and January 2005, TDSI contravened UMIR 7.1(1) [supervision] and Policy 7.1.

#### Sanctions Approved

The following sanctions were approved:

- (a) A fine of \$350,000.00 payable by TDSI to RS; and,
- (b) Costs of \$80,000.00 payable by TDSI to RS.

#### Summary of Facts

This matter concerns TDSI's handling of hundreds of retail client orders for TDW, most of which were outside the posted quote for the CNQ marketplace ("CNQ") in the period December 2003 to January 2005 (the "Relevant Period").

At the time CNQ was launched in mid 2003, TDW made the business decision that only its discount clients would be eligible to enter buy and sell orders on CNQ. Other TDW clients would only be permitted to liquidate existing positions. TDSI became a CNQ dealer to facilitate this trading. Prior to February 2005, only Designated Market Makers could enter non-matching orders, and orders outside and also between the posted quote. An investment dealer which was not a Designated Market Maker for CNQ could only enter orders which matched a displayed bid or offer or execute a cross at any price between the bid and offer. In the Relevant Period, TDSI used Dealer A, a CNQ Market Maker, to enter client orders for TDW that were non-matching, and outside or between the posted quote. Dealer A did not charge TDSI for this service.

TDSI began trading CNQ securities in December 2003. TDW client orders were entered into the TDSI ISS/OSS system when received from the client. Until December 2004, these orders were routed to a printer on the retail trading floor at TDSI and retrieved by a trader (the "Trader") designated for CNQ trading. Thereafter, the Trader was provided with a dedicated printer to receive these orders.

RS's investigation disclosed that in the Relevant Period, the Trader's CNQ order management methodology was ineffective and resulted in TDSI repeatedly failing to transmit TDW client orders to Dealer A for order entry. Such orders expired unfilled without ever being entered onto CNQ, in breach of TDSI's best execution obligation under UMIR 5.1. In addition, many of the orders were for less than 50 standard trading units, thereby also violating UMIR 6.3(1) relating to exposure of client orders.

The types of orders held back included:

- (i) Orders which were not immediately tradable but became so as a result of changes in market conditions before the expiry of the order (which effective monitoring should have identified for order entry).
- (ii) Orders which might never have traded because they remained outside the posted quote until expiry (but were never given the opportunity to do so or to add depth to the CNQ Book since they were not transmitted to Dealer A for order entry).
- (iii) CFO's and cancellations of orders by TDSI and TDW clients which were not communicated by the Trader to Dealer A.

TDSI also failed to comply with the audit trail requirements under UMIR 10.11(1) and 10.12(1) relating to these orders. In particular:

- (i) From December 2003 to December 2004 (after TDSI was contacted by RS concerning this matter), the Trader failed on some occasions to time-stamp the TDSI/TDW OSS tickets when he transmitted these orders to Dealer A for execution.
- (ii) From December 2003 to November 2004, the Trader threw away all TDSI/TDW OSS tickets for expired, unfilled client orders.
- (iii) From December 2003 to late January 2005, the Trader failed to maintain a record of which client orders were relayed to Dealer A for entry and execution but all tickets for executed orders were retained.

- (iv) From December 2003 to January 2005, the Trader failed to maintain records on whether CFOs or cancellations to the original orders from the clients were relayed to Dealer A along with the date and time this information was provided to Dealer A but some order tickets were retained.

In addition, the investigation was hampered because neither TDSI nor TDW maintained a separate trading blotter for CNQ trading. This practice, combined with the incomplete audit trail, made it extremely difficult for RS to determine exactly how many best execution, order exposure and audit trail violations occurred. However, based on TDSI's own estimates of the number of orders received and purportedly monitored, there were at least between 200-500 orders held back from order entry on CNQ in the Relevant Period.

TDSI's order handling methodology deprived CNQ of some liquidity and transparency during the Relevant Period. Many of the client orders withheld by TDSI were for CNQ's most actively traded stocks by volume and value.

In summary, in the Relevant Period, TDSI failed to meet its obligations under several provisions of UMIR in relation to the handling, trading, compliance and supervision of TDW retail client orders for CNQ. In summary, TDSI failed to:

- organize its trading, supervision and compliance system to effectively carry out and monitor order entry and trade execution on CNQ.
- fulfill its best execution and order exposure obligations to TDW clients in respect of some CNQ orders.
- provide adequate technological support for CNQ trading and oversight.
- comply with its audit trail obligations.

#### **Further Information**

Participants who require additional information should direct questions to Maureen Jensen, Vice President, Market Regulation, Eastern Region, Market Regulation Services Inc. at 416-646-7216.

#### **About Market Regulation Services Inc.**

Market Regulation Services Inc. ("RS") is the regulation services provider for Canadian equity markets including the TSX, TSX Venture Exchange, Canadian Trading and Quotation System, Bloomberg Tradebook Canada Company, Liquidnet Canada Inc. and Markets Securities Inc., RS is recognized by the Autorité des marchés financiers in Québec and the securities commissions of Ontario, Manitoba, Alberta and British Columbia to regulate the trading of securities on these marketplaces by participant firms and their trading and sales staff. RS is

mandated to conduct its regulatory activities in a neutral, cost-effective, service-oriented and responsive manner.

## Chapter 25

# Other Information

### 25.1 Consents

#### 25.1.1 Descartes Systems Group Inc. - s. 4(b) of the Regulation

##### Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act.

##### Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.

Canada Business Corporations Act, R.S.C. 1985, c. C-144, as am.

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

##### Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b).

**IN THE MATTER OF  
ONT. REG. 289/00, AS AM.,  
(THE "REGULATION")  
MADE UNDER  
THE BUSINESS CORPORATIONS ACT,  
R.S.O. 1990, c.B.16, AS AMENDED  
(THE "OBCA")**

**AND**

**IN THE MATTER OF  
THE DESCARTES SYSTEMS GROUP INC.**

**CONSENT  
(Subsection 4(b) of the Regulation)**

**UPON** the application of The Descartes Systems Group Inc. (the "Applicant") to the Ontario Securities Commission (the "Commission") requesting consent (the "Request") from the Commission for the Applicant to continue in another jurisdiction (the "Continuance"), as required by subsection 4(b) of the Regulation;

**AND UPON** considering the Request and the recommendation of the Staff of the Commission;

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

1. The Applicant was amalgamated under the OBCA on January 26, 1999. Its head and registered

office is located at 120 Randall Drive, Waterloo, Ontario.

2. The Applicant intends to apply to the Director under the OBCA for authorization to continue under the *Canada Business Corporations Act* ("CBCA"), pursuant to Section 181 of the OBCA ("Application for Authorization to Continue").
3. Pursuant to subsection 4(b) of Regulation 289/00 promulgated under the OBCA, where a corporation is an offering corporation under the OBCA, its Application for Authorization to Continue must be accompanied by a consent from the Commission.
4. The Applicant is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act* (Ontario) (the "Act") and in each of the other provinces of Canada.
5. Following the Continuance, the Applicant intends to remain a reporting issuer in Ontario and in each of the other provinces of Canada.
6. The authorized capital of the Applicant consists of an unlimited number of common shares, of which approximately 45,176,549 are outstanding as at May 31, 2006.
7. The Applicant's issued and outstanding common shares are listed for trading on the Toronto Stock Exchange under the symbol "DSG" and on the Nasdaq Stock Market under the symbol "DSGX".
8. The Applicant is not in default of any of the provisions of the Act or the regulations or rules made thereunder and is not in default under the securities legislation of any other province of Canada.
9. The Applicant is not a party to any proceeding or, to the best of its knowledge, information and belief, any pending proceeding under the Act.
10. The material rights, duties and obligations of a corporation governed by the CBCA are substantially similar to those of a corporation governed by the OBCA. A summary of differences between the CBCA and the OBCA was provided to shareholders in the Company's management information circular (the "Circular") for its May 3, 2006 annual and special meeting (the "Meeting"). The Circular also advised registered shareholders of their dissent rights in

**Other Information**

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connection with the Continuance pursuant to section 185 of the OBCA.

11. At the Meeting, a special resolution of the shareholders authorizing the Continuance was approved by 99.93% of the votes cast.
12. Notwithstanding that the Applicant's shareholders have approved the Continuance, the directors of the Applicant may abandon the Continuance without further approval of the shareholders if, in the opinion of the directors, abandonment of the Continuance is in the best interests of the Applicant.
13. The principal reason for the proposed Continuance is so that the Applicant may benefit from the more modernized and flexible corporate requirements of the CBCA. In particular, the CBCA provides that only 25% of the directors of a corporation must be resident Canadians, subject to certain exceptions. The OBCA requires a majority of the corporation's directors be resident Canadians. The Applicant's management believes that the interests of the Applicant will be better served under the CBCA by providing the Applicant with greater flexibility in selecting directors for nomination from a broader pool of candidates than is currently possible. The Applicant's management believes that it is appropriate for the Applicant, whose solutions are developed, marketed, licensed and supported for use by global organizations, to pursue qualified directors based primarily on merit rather than residency.

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

**THE COMMISSION HEREBY CONSENTS** to the continuance of the Applicant as a corporation under the CBCA.

**DATED** June 27, 2006.

"Paul K. Bates"  
Commissioner  
Ontario Securities Commission

"Paul M. Moore"  
Vice Chair  
Ontario Securities Commission

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