

Draft Regulation

Professional Code
(R.S.Q., c. C-26)

Radiology Technicians

— Advertising
— Amendments

The Chairman of the Office des professions du Québec hereby gives notice in accordance with section 95 of the Professional Code (R.S.Q., c. C-26) that the Bureau of the Ordre des techniciens en radiologie du Québec made, pursuant of section 92 of the Professional Code, the Regulation amending the Regulation of Radiology Technicians advertising, a copy of which is attached hereto.

The said Regulation will be submitted to the Government for approval upon the expiry of no less than 30 days following publication of this notice. Any person wishing to comment on the Regulation is asked to send his comments in writing to the Chairman of the Office des professions du Québec, 930, chemin Sainte-Foy, 7th floor, Québec, G1S 2L4, before the end of the 30 day period. Those comments may be sent by the Office to the persons, departments or agencies concerned.

ANDRÉ DESGAGNÉ,
*Chairman of the Office
des professions du Québec*

Regulation amending the Regulation of Radiology Technicians advertising

Radiology Technicians Act
(R.S.Q., c. T-5)

Professional Code
(R.S.Q., c. 26, s. 92)

1. The Regulation respecting advertising by radiology technicians (R.R.Q., 1981, c. T-5, s. 9) is amended by substituting the following for section 6.01:

“**6.01** The original of the graphic sign that appears hereunder represents the Order and is kept by the secretary.”



2. This Regulation comes into force on the tenth day following the day of publication in the *Gazette officielle du Québec* of a notice that it has received government approval.

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Draft Regulation

Securities Act
(L.R.Q., c. V-1.1)

Securities
— Amendment

The Minister of Finance gives notice under Section 335 of the Securities Act (L.R.Q., c. V-1.1) that he will submit the attached draft regulation for its adoption by the Government at the expiry of a period of 45 days following this notice.

Any person wishing to comment on this draft regulation is required to send his comments to the Minister with a copy to the Commission des valeurs mobilières du Québec (C.P. 246, Tour de la Bourse, Montréal, H4Z 1G3) before the expiry of the period of 45 days.

20 February 1985

YVES DUHAIME,
Minister of Finance

Regulation amending the regulation respecting securities

Securities Act
(R.S.Q., chapter V-1.1, sections 57, 331, 332, 333 and 334)

1. The Regulation respecting securities, adopted by Order in Council 660-83 of March 30, 1983 and amended by the Regulation adopted pursuant to Order in Council 1758-84 of August 8, 1984, is again amended by replacing section 3 by the following:

“**3.** For the purpose of the Act and the Regulation, any of the following securities is acceptable as “gilt-edged security”:

(1) debt securities secured by one of the following:

(a) a first mortgage or a lien on an immovable;

(b) the pledge of equipment, in the case of a company which has regularly paid in full the interest on these securities during the last five years;

(c) the pledge of gilt-edged securities or of securities mentioned in paragraph 1 of section 3 of the Act or in paragraphs 1 or 2 of section 41 of the Act;

(2) debt securities issued or guaranteed:

(a) either by a company whose common, restricted or preferred shares are considered gilt-edged securities;

(b) or by a company which has realized, during the last five years, accumulated earnings representing at least ten times the interest on all indebtedness or guaranteed by the company, other than indebtedness classified as a current liability;

(3) preferred shares issued:

(a) either by a company which has paid, during the last five years, the specified dividend on all its preferred shares;

(b) or by a company whose common or restricted shares are considered gilt-edged securities;

(4) common or restricted shares listed on a stock exchange recognized by the Commission for the purpose of this section and issued by a company which, during its last five years, has paid or had earnings available to pay, after deducting preferred dividends, a dividend equal to not less than 4 % of the average value of these shares as shown in the capital stock account.

In this section, the term "year" means a normal accounting period of 12 months, so that necessary adjustments must be made in the case of a company that has an accounting period longer or shorter than 12 months.

In the case of a company resulting from a merger, the financial criteria must be applied on the basis of consolidated accounts."

2. Section 4 of this regulation is amended by replacing what comes before paragraph 1 by the following:

"4. The following reporting issuers are exempted from drawing up financial statements in accordance with generally acceptable accounting principles and with the provisions of the present regulation:"

3. This regulation is amended by replacing paragraph 3 of section 22 by the following:

"(3) in the case of a best efforts underwriting containing a minimum sum to be raised, this minimum must be raised within the maximum delay of 60 days after the issuance of a receipt for the prospectus, unless the Commission authorizes an extension and the consent of the subscribers thereto is obtained."

4. This regulation is amended by replacing the second paragraph of section 29 by the following:

"In the case of a contractual plan, the prospectus must contain the notice prescribed by Schedule II."

5. This regulation is amended by inserting, after section 30, the following section:

"**30.1** When a firm underwriting agreement contains a market out clause, a statement, as set out in the following example, must appear on the first page of the prospectus:

"The firm underwriter conditionally offers the securities described in this prospectus, subject to the usual reservations as to issue and delivery and subject to the approval of the contract by the lawyers of the issuer and of the underwriter. The conditions contained in the underwriting agreement are described on page under Plan of Distribution."

6. This regulation is amended by replacing section 31 by the following:

"**31.** The date of the prospectus must appear on the first page. In the case of an incorporated or unincorporated mutual fund, the date may be expressed in figures or in a code inasmuch as the meaning of the code is filed with the Commission."

7. This regulation is amended by replacing section 36 by the following:

"**36.** In the case of a firm underwriting, the lead underwriter must file with the Commission, within 30 days after the issue of the receipt for the prospectus, the list of the members of the banking group syndicate, indicating the percentage of the issue allocated to each.

The banking group syndicate means the group of dealers who, after the firm underwriting, divide the issue between them for the distribution."

8. This regulation is amended by replacing section 40 by the following:

"**40.** In the case of an incorporated or unincorporated mutual fund, the following audited financial statements must be presented in the prospectus:

(1) the balance sheet and the statement of investment portfolio as at the end of the last financial year;

(2) the income statement, the statement of portfolio transactions and the statement of changes in net assets for the last financial year.

These statements must contain the information prescribed by Division IV of Chapter I of Title III.

The statement of portfolio transactions may be replaced by the semi-annual statements of portfolio transactions. Notwithstanding the rule prescribed in the first paragraph, the statement of portfolio transactions may not be audited.

The Commission may, upon request or on its own initiative, change the dates or the periods for which the statements are drawn up.”.

9. This regulation is amended by replacing the second paragraph of section 50 by the following:

“During the period of the distribution, the issuer or the dealer shall not publish other forecasts than those contained in the prospectus or a summary of them.”.

10. This regulation is amended by the addition in section 58 of the following paragraph:

“A reporting issuer that meets the conditions prescribed by section 18 of the Act is only required to present the information indicated in Part A inasmuch as it also meets the conditions prescribed by paragraphs 1 and 2 of section 160 or section 161 or 162 of the Regulation; otherwise, it must also present the information required by Part B.”.

11. This regulation is amended by replacing section 59 by the following:

“**59.** The simplified prospectus must contain the following statement on the first page:

“This simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from your dealer or from the issuer at the following address:_____.”.

12. This regulation is amended by inserting, after section 59, the following section:

“**59.1** The simplified prospectus contains the following statement in bold type:

“The disclosure documents listed hereinafter and filed with La Commission des valeurs mobilières du Québec (or where the distribution is made in Québec and elsewhere in Canada: “with the competent authorities”) are an integral part of the simplified prospectus:

(1) the annual financial statements and auditor's report for the financial year ended contained in the annual report;

(2) the annual information form (Schedule IX) filed since the end of the financial year mentioned in 1;

(3) the quarterly financial statements filed since the end of the financial year mentioned in 1;

(4) the proxy circular filed since the end of the financial year mentioned in 1;

(5) the notices of material changes filed since the end of the financial year mentioned in 1 (give the date of each filing);

(6) the information included in the annual report in accordance with sections 160 to 162 (indicate the subject the information refers to);

(7) any other document added to the permanent information record that the issuer wishes to incorporate in the simplified prospectus or which replaces a document mentioned in paragraphs 1 to 4 (identify the document and give the date of filing).

The disclosure documents, prescribed by chapter II of Title III of the Act, filed between the date of the simplified prospectus and the date of the end of the distribution also form an integral part of the simplified prospectus.”.

13. This regulation is amended by inserting, after section 62, the following text:

“SECTION III.I “THE SHELF PROSPECTUS

“**62.1** The reporting issuer which has filed a permanent information record, if it fulfills the conditions prescribed by section 160, 161 or 162, may avail itself of the shelf prospectus system prescribed by section 24.1 of the Act.

With respect to the conditions prescribed by section 160, the value of outstanding shares is determined by way of policy statement.

“**62.2** The Commission determines through a policy statement the securities that may be the subject of a shelf prospectus.

“**62.3** The shelf prospectus must present the information prescribed by Part A of Schedule IV, *mutatis mutandis*.

“**62.4** The provision prescribed by section 19 does not apply to the shelf prospectus.

However, in order to comply with the comments expressed by the Commission, the issuer must make the necessary amendments within the next 75 days following the filing of the shelf prospectus. If the issuer does not meet this time limit, he may not avail himself of the shelf prospectus system.

If the case arises, the amended shelf prospectus is sent to persons who have received the initial shelf prospectus.

"62.5 The shelf prospectus must show on the front page the maximum amount or number of securities that are proposed to be distributed.

"62.6 The shelf prospectus may, in addition to the information the omission of which is prescribed by section 75, omit the name of the lead underwriter and of the members of the firm underwriting group and the dealer's certificate.

"62.7 As a departure from section 26 of the Act, an amendment to the shelf prospectus is required only when there is an important change in the information presented in the shelf prospectus. The amendment is then filed with the Commission as soon as possible.

However when the change gave rise to the press release prescribed by section 73 of the Act, an amendment is not necessary.

"62.8 If the issuer has not made a distribution of securities at the time of updating the annual information form prescribed by Schedule IX, he must file on that occasion a new shelf prospectus, unless the Commission decides otherwise.

"62.9 The supplement prescribed by section 24.1 of the Act must present the information omitted in the shelf prospectus and an updating of the statement prescribed by section 59.1.

"62.10 The Commission will issue a receipt as soon as the supplement is filed if the issuer declares that this supplement and the shelf prospectus are identical to the shelf prospectus, except with respect to the information that may be omitted, the updating prescribed by section 62.9 or a change in the distribution procedure."

14. This regulation is amended by substituting the following for Division V of Chapter I of Title II:

**"DIVISION V
"SPECIAL PLANS
"EXEMPTION FROM PROSPECTUS**

"66. The issuer which has already distributed securities pursuant to the exemption prescribed by section 47 or 48 of the Act may avail itself of the present special plan of prospectus exemption for a first time, after a delay of 12 months from the end of the distribution, and, subsequently, after a delay of 12 months from the end of that last distribution.

"67. The distribution must meet the conditions prescribed by section 47 of the Act except those prescribed by subparagraphs 6 and 7 of the first paragraph.

"68. The issuer must prepare an offering memorandum subject to examination by the Commission.

"69. The exemption applies only where the Commission agrees thereto or does not raise any objection within 15 days of receiving the offering memorandum.

"70. The offering memorandum prescribed by section 68 must present the information prescribed by Schedule VI.

"70.1 The issuer or the dealer must send the offering memorandum to the persons solicited before accepting any undertaking from them.

"70.2 The amount of securities offered must not exceed 3 000 000 \$.

"70.3 The offering memorandum must present the financial statements and the auditor's report prescribed by Division II; however, with respect to preceding financial years, only the statements of the last two years are required.

"70.4 The issuer which has availed itself of the present exemption must file with the Commission its audited annual financial statements within 140 days following the end of its financial year."

15. This regulation is amended by replacing sections 71 to 73 by the following sections:

"71. The Commission shall qualify persons as prescribed by section 67 of the Act on the following conditions:

(1) the person issuing securities referred to in that section must furnish the following information:

(a) its corporate name, the address of its head office, and the method and date of incorporation;

(b) a brief description of its activities;

(c) the names of the members of its board of directors and their main occupations;

(d) the audited financial statements for the last financial year;

(e) a description of the different types of contracts that it wants to issue or guarantee;

(2) the qualification remains valid only inasmuch as the person issuing securities referred to in section 67 of the Act files with the Commission, within 150 days from the end of its financial year, the information required by subparagraphs a to d of paragraph 1;

(3) the qualification only covers the types of contracts mentioned in the request.

71.1 Before issuing a new type of contract, the qualified person must file with the Commission the information regarding the new contract; it can issue the new contract when the Commission agrees thereto or does not raise any objection within 10 days of receiving the information.

72. In the case of a recognized self-regulatory organization, subparagraphs a to d of paragraph 1 and paragraph 2 of section 71 do not apply.

73. The information document prescribed by section 67 of the Act must reproduce the information prescribed by Schedule VII.1 in the case of exchange traded options and present the information prescribed by Schedule VII in the case of other options and futures contracts."

16. This regulation is amended by replacing section 75 by the following:

75. A preliminary prospectus may omit the auditor's report, the approval prescribed by section 53, the number or value of the securities to be distributed, and the information relating to the offering price.

75.1 However, in the case of a distribution, by a company, of common or subordinated shares forming part of a class which is not listed on an exchange, the preliminary prospectus must present the following information:

(1) the proposed offering price and the number of securities the issuer intends to distribute;

(2) the proposed remuneration of the dealer and the net proceeds of the distribution;

(3) the other quantitative information required to be given in the preliminary prospectus and prepared from the information prescribed by subparagraphs 1 and 2;

(4) the following statement, on the first page of the preliminary prospectus:

"The present preliminary prospectus contains provisional figures, susceptible of being amended such as the offering price, the number of securities to be distributed, the remuneration of the dealer and the net proceeds of the distribution, as well as the other quantitative information calculated from those figures."

17. This regulation is amended by replacing section 95 by the following:

95. The report must indicate the number and value of the securities distributed in Québec by the underwri-

ter or by each member of the selling group or purchase group."

18. This regulation is amended by replacing sections 103 and 104 by the following sections:

103. The following provisions must be inserted in the contract mentioned in subparagraph 3 of the first paragraph of section 47 of the Act.

"The subscriber shall state that:

(1) he is acting for his account;

(2) he is capable of assessing the proposed investment because of his financial experience or of advice received from a registered person other than the promoter;

(3) he is familiar with the aims and objectives of the issuer and he has been informed of the nature of his activities;

(4) he has been informed of the proposed use of the proceeds of the distribution;

(5) he is aware of the characteristics of the securities, and, where applicable, of their speculative nature, and of the fact that they may not be resold or otherwise disposed of except in accordance with the provisions of the Act;

(6) he has read the offering notice before subscribing."

104. The notice to be given, under section 47 of the Act, before beginning the distribution must contain, in the order hereinafter set forth:

(1) the name and address of the issuer and the promoter;

(2) a brief description of the nature of the current and proposed activities of the issuer;

(3) the designation of the Act under which the issuer is incorporated;

(4) a summary description of the securities to be distributed;

(5) the number and value of the securities distributed;

(6) the principal uses planned for the net proceeds from the distribution and the funds assigned for each of these uses;

(7) a commitment to comply with the provisions of section 47 of the Act;

(8) the date of the last distribution in which the promoter participated under the exemption provided for in section 47 of the Act.

A copy of the draft contract for the distribution must accompany the notice."

"104.1 The offering memorandum prescribed by section 48.1 of the Act must present the information prescribed by Schedule XVI.

A copy of the contract confirming the sale must accompany the offering memorandum."

19. Section 105 of this regulation is amended:

1° by the addition in the first paragraph after the word "section" of the figure and the word "47 or";

2° by the addition after the last paragraph of the following:

"If the distribution included a minimum sum to be raised, the notice must mention if it was raised; if it was not raised, the notice must set out the measures taken to reimburse the funds."

20. This regulation is amended by inserting after section 105 of the following section:

"105.1 The notice to be given, pursuant to section 47 or 48 of the Act in the case of a transfer to an associate of the transferor, must contain the following information:

(1) the name and address of the transferor and of the acquirer;

(2) the number and value of the securities transferred;

(3) the relation between the transferor and the acquirer;

(4) the date contemplated for the transfer."

21. This regulation is amended by replacing section 108 by the following:

"108. The offering notice established at the time of a distribution mentioned in paragraphs 1 and 3 of section 52 of the Act must contain, in addition to the information prescribed by section 107, the following information:

(1) the names and functions of senior executives mentioned in Item 21 of Schedule I;

(2) the information known to the senior executives concerning any transfer of securities that brought about a material change in control of the issuer since the last meeting of the holders of voting securities;

(3) the details of professional fees paid and of the remuneration paid to registered dealers and, in the case of a distribution also made outside Québec, to any other person;

(4) any other material fact in respect of the issuer and the securities offered, and, in particular, if it is a rights offering:

(a) the approximate net proceeds that the issuer will obtain if all the rights are exercised;

(b) the proposed use of the funds obtained;

(c) where it applies, the minimum sum required to satisfy the issuer's needs;

(d) if a minimum amount has been set, and if the distribution is a best efforts underwriting, the minimum and the name of the person who will keep on deposit the sums collected until the minimum has been reached;

(e) if the minimum amount is guaranteed by an undertaking to subscribe, the name and address of the guarantor;

(f) the nature of any market out clause or other similar provision and the arrangements designed to ensure that the sums collected are refunded in full in cases where the minimum is not reached.

However, in the case of a security listed on an exchange, the issuance of subscription rights cannot be made with a minimum subscription condition.

In the case of a distribution contemplated by paragraph 3 of section 52 of the Act, a new offering notice must be prepared, within 90 days from the end of the financial year, only when occurs, in relation with the information given at the outset, a material change that is likely to affect the value or the market price of the securities being distributed."

22. Section 109 of this regulation is amended by replacing what comes before paragraph 1 by the following:

"109. The offering notice established at the time of a distribution mentioned in paragraph 5 of section 52 of the Act must contain, in addition to the information prescribed by section 107, the following information:"

23. Section 111 of this regulation is amended by replacing subparagraphs 1 to 3 by the following:

"(1) the most recent audited financial statements;

(2) where the distribution is made by means of a prospectus outside Québec, a copy of that prospectus."

24. this regulation is amended by replacing section 114 by the following:

114. A reporting issuer shall file at the same time as its annual report a report on the number and value of the securities distributed in Québec under the exemption prescribed by section 52 of the Act.

In the case of a distribution eligible for a Québec Stock Savings Plan, the report must give the number of securities distributed for such plans.

In the case of a non-reporting issuer, the report is filed within 140 days from the end of its financial year-end."

25. This regulation is amended by replacing paragraph 4 of section 115 by the following:

"(4) a copy of the information documents filed with the competent jurisdiction, the text establishing the exemption or the decision granting it;"

26. This regulation is amended by replacing paragraphs 1 to 5 of section 120 by the following:

"(1) the financial statements contained in the annual report were prepared by management in accordance with generally accepted accounting principles;

(2) the financial information contained elsewhere in the annual report conforms to the financial statements, should such be the case;

(3) the auditor has the responsibility of auditing the financial statements and giving an opinion on them."

27. This regulation is amended by replacing the last paragraph of section 129 by the following:

"The miscellaneous securities whose aggregate current market value represents less than 5 % of the total assets of the company or the fund may be aggregated under the heading "miscellaneous securities", with only the information prescribed in subparagraphs 4 and 5."

28. Section 131 of this regulation is amended by replacing subparagraph 3 by the following:

"(3) the apportioning of the number, market value and outstanding principal value of mortgages, in groups representing contractual interest rates varying by no more than ¼%."

29. This regulation is amended by replacing section 133 by the following:

133. The statement of portfolio transactions prescribed by sections 40, 130 and 132 need not be published with the annual or semi-annual financial statements if it has been filed with the Commission at the same time as the financial statements, and if the pub-

lished financial statements or the prospectus indicate that one can obtain it without cost from the issuer."

30. The French text of this regulation is amended by replacing paragraph 1 of section 134 by the following:

"1° une banque régie par la Loi sur les banques et les opérations bancaires (S.C., 1980-81-82, chap. 40) ou de la Loi sur les banques d'épargne du Québec (S.R.C., 1970, chap. B-4);"

31. This regulation is amended by replacing the first paragraph of section 159 by the following:

"159. The annual information form, prescribed by paragraph 1 of section 85 of the Act, must present the information prescribed by Schedule IX."

32. This regulation is amended by replacing subparagraph 2 of section 160 by the following:

"(2) the total value of the outstanding shares, except preferred shares, held by persons who control less than 10 % exceeds a value determined in a policy statement of the Commission."

33. This regulation is amended by replacing paragraph 2 of section 162 by the following:

"(2) the guarantor has filed with the Commission the annual information form prescribed by Schedule IX;"

34. This regulation is amended by replacing the first paragraph of section 166 by the following:

"166. The filing of the annual information form prescribed by Schedule IX by the issuer who fulfills the conditions of paragraphs 1 and 2 of section 160 or of section 161 or 162 is accepted for the first time when the Commission agrees or does not express any opposition during the ten working days following receipt of the document."

35. This regulation is amended by replacing section 167 by the following:

"167. In the case of the filing of the annual information form prescribed by Schedule IX by an acceptable issuer other than the issuer mentioned in section 166 or of the annual information form prescribed by Schedule X, the filing is accepted when the Commission agrees or does not object during the 30 working days following receipt of the document."

36. This regulation is amended by replacing section 168 by the following:

"168. The annual information form drawn up in accordance with Schedule IX or X is signed by the

chief executive officer of the issuer, or by the person who holds a similar position, by the chief financial officer and by two other persons, selected from among the directors and authorized to sign.”

37. This regulation is amended by replacing paragraph 4 of section 170 by the following:

“(4) the annual information form prescribed by Schedule X.”

38. This regulation is amended by inserting after section 170 the following section:

“**170.1** The annual information form of an incorporated or unincorporated mutual fund must contain the certificates prescribed by Schedule X.”

39. This regulation is amended by replacing the first paragraph of section 175 by the following:

“**175.** Where the securities are subscribed for or purchased under a share subscription plan, a dividend reinvestment plan or are received under a stock dividend distribution, the declaration prescribed by sections 96 and 97 of the Act must be filed not later than the 90th day following the end of the calendar year or financial year of the issuer.”

40. This regulation is amended by the addition to section 180 of the following paragraph:

“The take-over bid circular and any notice of amendment or of change must be delivered at the principal office of the offeree company on the same day as the notice or the circular is sent to security holders of the offeree company. These documents must be sent by prepaid first class mail.”

41. This regulation is amended by replacing section 183 by the following:

“**183.** A valuation of the target company, based on going concern or liquidation assumptions, must be made, when the offeror plans to transform the company referred to into a company that could be compared to a closed company or when the offeror wants to liquidate the offeree company.

In particular, a valuation is required when the offeror intends to acquire all the voting securities of the target company. However, a valuation is not required when the securities are listed on an exchange recognized by the Commission and have been traded on at least 75 % of the trading days during each of the last two months.

When an exchange take-over bid is taking place, the Commission may require a valuation of the offeror.

The valuation report is drawn up by an independent appraiser.”

42. This regulation is amended by replacing section 187 by the following:

“**187.** The margin of variation prescribed by section 116 of the Act is established at 15 % in relation to the average market price.

The average market price is obtained by averaging the closing prices for the 20 days of market activity preceding the date of the transaction, or, if only the highest and the lowest prices are quoted, the weighted average of the daily prices over the same period, the daily prices being defined as the average between the highest and lowest prices.

Where it is impossible to obtain a reliable average market price, the proposed average market price and the method used to obtain it require the approval of the Commission.

In the case of securities acquired by taking up a call option acquired during the two years preceding the bid, the margin of variation is comprised of the excess of the sum of the average market price and the cost of the option on the exercise price of the option.”

43. This regulation is amended by the addition to section 188 of the following sentence:

“However, for the prospectus information, the issuer which meets the condition prescribed by section 160, 161 or 162 may avail itself of the simplified prospectus system.”

44. This regulation is amended by inserting, after section 192, the following section:

“**192.1** A person, who intends to carry out transactions on options on commodities or currencies exclusively for the account of hedgers, is exempted from registration as a dealer if it fulfills the following conditions:

(1) he is an associate member of the Montréal Exchange;

(2) he is subject to the regulations and the rules of operation of the Montréal Exchange with respect to those options;

(3) the person responsible for the trading of those options must meet the professional training required by the Montréal Exchange.

“Hedger” means: a person who normally carries on a professional activity which exposes him to a price risk and who offsets that risk through transactions on mar-

kets where are traded options or commodities suited to protect him against that risk.”

45. This regulation is amended by the addition at the end of section 206 of the following sentence:

“This rule does not apply to an independent trader.”

46. This regulation is amended by replacing section 207 by the following:

“**207.** A dealer with an unrestricted practice must have a net free capital at least equal to the sum of:

(1) a proportion of the adjusted liabilities, subject to minimum of 75 000 \$, calculated as follows:

(a) 10 % of the first 2 500 000 \$;

(b) 8 % of the next 2 500 000 \$;

(c) 7 % of the next 2 500 000 \$;

(d) 6 % of the next 2 500 000 \$;

(e) 5 % of the amount exceeding 10 000 000 \$;

(2) the amount deductible under the insurance policy or bonding prescribed by section 213.

The policy statements of the Commission shall prescribe the method of calculating the net free capital and the adjusted liabilities.”

47. This regulation is amended by the addition, after paragraph 3 of section 217, of the following paragraph:

“However, the Commission may, on the conditions it may determine, authorize a departure from the rule prescribed by paragraph 3, in the case of a dealer which offers an account allowing the issuance of cheques and credit card transactions.”

48. This regulation is amended by replacing the first paragraph of section 220 by the following:

“**220.** A dealer or adviser must keep the accounting books and registers necessary to its activities and must retain them for a period of at least five years.”

49. This regulation is amended by replacing section 221 by the following:

“**221.** The accounting books and registers that a dealer or adviser must keep in Québec must be kept in the principal establishment that it is required to keep in Québec.”

50. This regulation is amended by the addition, after paragraph 3 of section 225, of the following:

“(4) the termination of duties of a senior executive who resides in Québec;”

51. This regulation is amended by replacing section 228 by the following:

“**228.** A dealer or adviser must give notice to the Commission of the following changes which are subject to its approval as prescribed by the second paragraph of section 159 of the Act:

(1) the appointment of an officer who carries on the activity of representative;

(2) the appointment of an officer who does not carry on the activity of representative;

(3) the appointment of a director whether or not he carries on the activity of representative;

(4) a change affecting the volume or the conditions of the subordinated loans described in section 212;

(5) the taking or strengthening of a material position;

(6) the end of office of a senior executive in charge of the principal office in Québec;

(7) the carrying on of another function.

A material position is defined as the holding by one person of more than 10 % of the voting securities issued by the dealer or the adviser or the person controlling it. To calculate a material position held by one person, securities already owned or controlled by that person must be added to those owned or controlled by its joint actors, including, in particular, those controlled by virtue of the power to exercise the voting rights attaching to them.

Are deemed to be joint actors of a person, the affiliates and the associates of that person.”

52. This regulation is amended by replacing section 233 by the following:

“**233.** Any transaction effected under a management contract must be approved in advance by a senior executive of the dealer or the adviser.”

53. This regulation is amended by replacing section 234 by the following:

“**234.** An adviser may not have securities or cash belonging to his customers in his possession or safekeeping, subject to section 218.”

54. This regulation is amended by replacing section 235 by the following:

"235. In his relations with his customers and in the execution of the mandate received from them, a registered person is required to use the care that one might expect of an informed professional placed in the same circumstances. Particularly, the registered person must see that orders are executed at the best price available on Canadian exchanges, unless he is instructed otherwise in writing."

55. This regulation is amended by replacing the second paragraph of section 236 by the following:

"More particularly, he must refrain from subscribing or buying, on behalf of a client, securities he or an affiliate owns, securities he or an affiliate is underwriting or securities issued by a company having as senior executive, a senior executive or a representative of the dealer or adviser, unless he obtains the consent of the client after having informed him of that fact.

For the application of the present rule, the portfolios managed by persons which are affiliates of the registered person are considered as portfolios managed by the registered person."

56. This regulation is amended by inserting, after section 236, the following sections:

"236.1 A dealer may not be a member of the purchase group in the case of the distribution of its own securities.

"236.2 A dealer may not act as lead underwriter in the case of the distribution of the securities of an associate.

"236.3 A dealer may not act as lead underwriter when the proceeds of a distribution are to be used to reimburse a financial institution that is an associate of the dealer."

57. This regulation is amended by replacing section 246 by the following:

"246. A dealer who holds a registration with a restricted practice to sell shares of incorporated mutual funds or units of unincorporated mutual funds may fulfill the obligations prescribed by section 162 of the Act by sending to the customer, each time that a transaction is carried out on his behalf, a transaction notice drawn up similarly to the confirmation slip prescribed by section 243, but with the necessary changes, and showing the balance in the account."

58. This regulation is amended by inserting, after section 246, the following section:

"246.1 In the case of transactions made within the scope of contractual plans, the dealer who holds a

registration to sell group investments may satisfy the requirements prescribed by section 162 of the Act by sending to the customer a confirmation slip after the first payment and once every six months a statement of accounts giving mutatis mutandis the information prescribed by section 248."

59. This regulation is amended by inserting, after section 249, the following section:

"249.1 The dealer with a restricted practice registration must require the payment in full for a purchase of shares or units of a mutual fund, except in the case of a contractual plan."

60. This regulation is amended by replacing section 250 by the following:

"250. The secondary distribution of securities listed on the Montréal Exchange and transactions carried out on the floor of a stock exchange recognized for that purpose by the Commission by a specialist whose main function is to establish buy and sell quotations, are exempted from the requirements of sections 251 and 252, provided that the secondary distribution and the transactions are carried out in accordance with the operating rules of the exchange."

61. This regulation is amended by replacing section 267 by the following:

"267. The following fees are payable by persons who intend to distribute securities:

(1) at the time of an application prescribed by section 11, 12, 20 or 24.1 of the Act relating to the issuing of the receipt for a prospectus, or of a preliminary or shelf prospectus, 500 \$;

(2) at the time of filing the report prescribed by section 94 relating to securities distributed in Québec by means of a prospectus, 0,0125 % of the value of such securities, less the fee prescribed in paragraph 1;

(3) at the time of filing the offering notice prescribed by section 48.1 or 53 of the Act or by the Regulation, 250 \$;

(4) at the time of filing the notice prescribed by section 46, 47 or 51 of the Act, the information prescribed by section 50 of the Act or the report prescribed by section 114, 0,006 % of the value of the securities distributed in Québec, subject to a minimum of 100 \$ in the case of securities distributed pursuant to an exemption prescribed by section 43, 47, 50 or 51 of the Act and less the fee prescribed by paragraph 3 in the case of the report prescribed by section 114;

(5) at the time of the filing of an amendment to a prospectus, 25 \$;

(6) at the time of filing the information required in compliance with the second paragraph of section 12 of the Act, 100 \$;

(7) at the time of an application prescribed by section 68 or 68.1 of the Act, 250 \$.

However, no fee is required to be paid in application of paragraph 4 in the case of the distribution of exchange, conversion or subscription rights prescribed by paragraph 1 of section 52 of the Act."

62. This regulation is amended by replacing section 268 by the following:

"**268.** The following fees are payable by a reporting issuer:

(1) at the time of filing the annual financial statements prescribed by section 75 of the Act, 0,005 % of the net value at the end of the financial year, subject to a minimum of 50 \$ and a maximum of 250 \$;

(2) at the time of filing, for the first time, the annual information form by an issuer which fulfills the conditions prescribed by section 160, 161 or 162, 200 \$;

(3) at the time of filing the annual information form by an issuer which does not fulfill the conditions prescribed by section 160, 161 or 162, 200 \$;

(4) at the time of an application prescribed by section 69 of the Act to cancel its status as a reporting issuer or to release it entirely or in part from the obligations of continuous disclosure, 100 \$;

(5) at the time of an application prescribed by section 79 of the Act to exempt it from submitting in the financial statements any information that should normally be made there, 100 \$."

63. This regulation is amended by replacing section 269 by the following:

"**269.** The following fees are payable by the offeror of a bid:

(1) at the time of filing the bid and the take-over bid circular prescribed by section 118 of the Act, 300 \$;

(2) at the time of filing the notice prescribed by section 132 of the Act respecting a change in the initial terms of the bid or a significant change in the facts on which the circular is based, 30 \$."

64. This regulation is amended by replacing section 270 by the following:

"**270.** The following fees are payable by a dealer or a securities adviser:

(1) at the time of an application for registration prescribed by section 148 of the Act, 300 \$;

(2) at the time of filing the annual financial statements prescribed by section 158 of the Act, 325 \$ plus 125 \$ for each representative who was registered during the last financial year;

(3) at the time of filing a notice prescribed in section 228 relating to a change in the disclosure made at the time of registration, 30 \$;

(4) at the occasion of an inspection, within 30 days of the date of the invoice, 250 \$ per day, per inspector.

However, in the case of a representative who is a member of a self-regulatory organization to which the Commission has delegated the application of the provisions concerning the registration of representatives, the fees prescribed by paragraph 2 are 90 \$ for each representative."

65. This regulation is amended by replacing section 271 by the following:

"**271.** The following fees are payable by the person applying:

(1) at the time of an application for an exemption prescribed by section 263 of the Act respecting all or part of the obligations prescribed by Titles II to VI of the Act or by regulation, 250 \$;

(2) at the time of an application, to regularize a previous issue of securities, prescribed by section 339 of the Act, 250 \$;

(3) at the time of an application for the certificate prescribed by section 71 of the Act regarding the position of a reporting issuer, 100 \$;

(4) at the time of a request for a copy of a document, 50 ¢ a page.

However, a person who benefits from an exemption from prospectus under section 263 of the Act must in addition pay the fees prescribed by paragraph 4 of section 267, after deducting the fees prescribed by paragraph 1."

66. This regulation is amended by the addition to section 272 of the following paragraph:

"However, an unincorporated mutual fund or an incorporated mutual fund is not required to grant the right of cancellation prescribed by this section in the case of securities saving plans where the proportion of sales charges included in any payment does not exceed the charges to be paid for subscriptions made outside the saving plans."

67. This regulation is amended by the addition, at the end of the first paragraph of section 290, of the following sentence:

“As the case may be, this condition is also mentioned in the subscription form.”.

68. This regulation is amended by replacing Title VIII, comprised of sections 291 to 295, by the following:

“**291.** A portfolio transaction by an unincorporated mutual fund or an incorporated mutual fund must be reflected in the computation of the net asset value per share not later than the first valuation made after the transaction.

“**292.** A transaction on the securities issued by an unincorporated or an incorporated mutual fund must be reflected in the computation of the net asset value per share not later than 24 hours after the time when the valuation applied to implement the transaction is made.

“**293.** Where a transaction, known at the time of the computation of the net asset value per share, would change the resultant value by a cent or more, an adjustment must be made in the net asset value per share.”.

69. This regulation is amended by replacing section 296 by the following:

“**296.** A limited partnership or an unincorporated issuer other than an unincorporated mutual fund is exempted from the obligations prescribed by sections 76 and 78 of the Act for the first and third quarters inasmuch as its securities are not traded on an organized market.

In the present section the term “organized market” means a market where are traded securities whose quotations are published regularly in the press.”.

70. The French text of this regulation is amended by replacing, in Schedule I, instruction 2 of Item 2 by the following:

“**2.** Lorsque le contrat contient une clause de sauvegarde, le mentionner. Cette mention se présente sous la forme du modèle suivant:

“En vertu d'un contrat intervenu le _____ entre la société et _____ à titre de _____, la société a convenu d'émettre et le _____ a convenu de souscrire à la date du _____ au prix de _____ \$, les titres suivants: _____, payables comptant sur livraison. Le _____ a la faculté de résoudre ce contrat à son gré, sur le fondement de son appréciation de la conjoncture; le contrat peut

également être résolu par la réalisation de certaines conditions. Toutefois, le _____ est tenu de prendre livraison de la totalité des _____ et d'en payer le prix, s'il souscrit _____.”.

71. This regulation is amended by replacing in Schedule I, Item 10 by the following:

“Item 10:

Risk Factors

1. Where appropriate, set out the risk factors and speculative nature of the business or the securities being offered on the first page of the prospectus. This information may be given in the body of the prospectus if an appropriate reference is made on the first page of the prospectus.

2. In addition to factors common to an activity sector, a particular factor that may affect the risk appraisal that a prudent investor would make must be mentioned.

3. As the case may be, mention the small likelihood of profit or of resale of the shares purchased.

4. Where there is a risk that a purchaser of the securities offered may become liable to make an additional contribution beyond the price of the security, disclose any information or facts that may bear on the security holder's assessment of risks associated with the investment.”.

72. This regulation is amended by inserting, in Schedule I, after Item 10 the following item:

“Item 10.1:

Dilution

1. Set out on the first page, if any, the dilution of the securities offered, based on net tangible assets including the distribution. This information may be given in the body of the prospectus if an appropriate reference is made on the first page. The information must be presented in accordance with the following table.

Dilution per share

Offering price		_____	\$
Net tangible book value before distribution		_____	\$
Increase of net tangible book value attributable to the distribution		_____	\$
Net tangible book value after the distribution		_____	\$
Dilution to subscriber		=====	\$
Percentage of dilution in relation to the offering price		=====	%

2. Give, in the following tabular form, a comparison between the offering price to new investors and the consideration paid by the existing shareholders.

	Shares held		Price or consideration		Average price per share
	Number	%	Amount	%	
Existing shareholders			\$		\$
New shareholders			\$		\$
		100 %	\$	100 %	

Instructions

1. The issuer may omit the information prescribed by this item where it considers such information to be of no value.

2. In the calculation of the net tangible book value after the offering, the remuneration of the underwriter and the cost of distribution are to be deducted."

73. This regulation is amended by replacing, in Schedule I, paragraph 3 of Item 17 by the following:

"3. Where non-voting or limited voting shares (other than preferred shares) are issued, comply with the following provisions:

(1) the first page of the prospectus must state clearly that the shares offered are restricted shares;

(2) the term "common share" is reserved for an equity share that has voting rights and that belongs to the only class of shares with voting rights;

(3) the prospectus must describe clearly the rights attached to the securities offered and to any other classes of shares."

74. This regulation is amended by inserting, in Schedule I, after the first paragraph of Item 21 the following paragraph:

"If, during the last five years, a senior executive, a promoter or a person holding more than 20 % of the securities of the issuer has been found guilty of an offence related to securities or has been the subject of administrative proceedings by a securities commission or similar authority, describe briefly the nature of the offence or proceedings."

75. This regulation is amended by replacing, in Schedule I, Item 22 by the following:

"Item 22:

Executive Remuneration**1. Scope of application**

The information to be provided relates to the company's executive officers: chairman and vice-chairman of the Board if they perform their functions on a full time basis, president, vice-presidents in charge of principal business units, divisions or functions (sales, finance, etc.) and any other officer of the issuer or of a subsidiary who performs a policy-making function in respect of the issuer.

Interest on deferred compensation need be disclosed only if the interest rate exceeds rates prevailing at the time of accrual or at the time the plan pursuant to which the compensation is deferred was established.

Remuneration of directors, who are not also executive officers, is taken into account only as provided in paragraph 6.

2. Cash remuneration

(1) State the aggregate cash remuneration paid to executive officers by the company and its subsidiaries for services rendered during the last financial year.

Cash remuneration includes salaries, director's fees, commissions and bonuses. This information may be broken down into those categories.

Present the information in accordance with the following table:

CASH REMUNERATION TABLE

Number	Amount
Executive officers _____	Cash Remuneration _____ \$

(2) In addition to amounts actually paid during and for the last financial year, cash remuneration includes:

(a) bonuses to be paid for services rendered during the last financial year unless such amounts have not yet been allocated;

(b) bonuses paid during the last financial year, for services rendered in a previous financial year, less any amount already disclosed or less any amount that would have been disclosed in a previous financial year, if one had then been an executive officer;

(c) any remuneration earned during the last financial year the cash payment of which is deferred.

(3) Remuneration, for a period during which a person included in the group was not then an executive officer, need not be included, provided a statement to that effect is made.

3. Remuneration pursuant to plans

Remuneration pursuant to plans need be taken into account only to the extent that they discriminate, in scope, terms or operation in favor of executive officers and are not available to all full time employees other than those covered by collective agreements.

(1) Describe briefly any plan, pursuant to which cash or non-cash remuneration was paid or distributed during the last financial year or is proposed to be paid or distributed in a subsequent year.

This description includes:

(a) a summary of how the plan operates;

(b) the criteria used to determine amounts payable;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) amounts paid or distributed during the last financial year less any amount already disclosed pursuant to subparagraph g);

(g) amounts accrued for the group during the last financial year, inasmuch as the distribution or unconditional vesting of same is not subject to future events.

(2) With respect to stock options granted during the last financial year provide the following information:

(a) a summary of how the plan operates;

(b) the criteria used to determine the number of shares optioned;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) the number of shares optioned during the last financial year;

(g) the designation and aggregate number of securities subject to options;

(h) the average per share exercise price (when more than one option is granted, the information should be given for each option);

(i) when the price mentioned in *h*) is less than the market value of the security on the date the option is granted, provide the market price on such date.

(3) With respect to stock options exercised during the last financial year, provide, in addition to the information prescribed by subparagraphs *a*) to *f*) of paragraph (2), the net value (market value less exercise price).

4. Other remuneration

Describe any other remuneration not covered in the cash or plans remuneration sections, and in particular, personal benefits, securities or property paid or distributed other than pursuant to a plan, inasmuch as it is not offered, on the same terms, to all full time employees other than those covered by collective agreements.

The value to be given for such remuneration shall be the registrant's and subsidiaries' aggregate incremental cost.

However, when the aggregate value of other remuneration does not exceed the lesser of 10 000 \$ times the number of persons in the group or 10 % of the cash remuneration reported pursuant to section 2, it is necessary to declare that fact only.

In the case of a company meeting the requirements of section 160 of the Regulation, the 10 000 \$ threshold is raised to 25 000 \$.

5. Termination of employment or change of control

Describe any plan or arrangement with respect to an executive officer for the latest or next preceding financial year in view of compensating him in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, when that compensation exceeds 60 000 \$.

6. Remuneration of directors

(1) Describe any standard arrangement pursuant to which directors are remunerated for their services in their capacity as director, including any additional amounts payable for committee participation or special assignments, and state the aggregate amount paid pursuant to each such standard arrangement, less the amount already reported in the cash remuneration table.

(2) Describe any other arrangements, in addition or in lieu of any standard arrangement, pursuant to which directors were remunerated during the last financial year, stating the aggregate amount paid pursuant to each such arrangement.

Where compensation is in non-cash form, state the value of the benefit conferred, or if it is not possible to state the value, describe the benefit conferred.

7. Special provisions concerning non-incorporated issuers

Unincorporated issuers must report:

(a) the aggregate amount of fees paid to individuals acting as directors or trustees in respect of each of the financial years reported upon;

(b) the aggregate amount of expenses reimbursed to directors or trustees in respect of the fulfillment of their duties as directors or trustees.

In addition, the issuer must state that the amount reported as paid or reimbursed constitutes the only compensation paid by the issuer to such directors or trustees.

The information required by this section may be disclosed in the annual financial statements."

76. This regulation is amended by replacing, in Schedule II, Item 18 by the following:

"Item 18:

Remuneration of Senior Officers and Trustees

1. Incorporated and unincorporated mutual funds which directly employ officers must furnish the information prescribed by Item 22 of Schedule I.

2. Incorporated mutual funds, the businesses of which are managed by a management company pursuant to a contractual arrangement with the issuer and unincorporated mutual funds, the businesses of which are managed by a corporate trustee pursuant to the terms of a trust indenture, must present the following information:

(1) the aggregate amount of directors' or trustees' fees paid by the issuer in respect of each of the financial years reported upon;

(2) the aggregate amount of expenses reimbursed by the issuer to the directors or trustees in respect of the fulfillment of duties as directors or trustees.

However this information may be presented in the annual financial statements.

In addition, such issuers must state in the annual information form that amounts reported in the financial statements as paid or reimbursed to directors and trustees constitute the only compensation paid by the issuer to such directors and trustees."

77. This regulation is amended by inserting, in Schedule II, after Item 27 the following item:

"Item 28:

Statutory rights

The prospectus must contain the following statement:

"Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an

agreement to purchase mutual fund shares or units within two business days after receipt of a simplified prospectus. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer.

In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the simplified prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his province or territory for the particulars of these rights or consult with a legal adviser.”.

78. This regulation is amended by replacing, in Schedule III, Item 5 by the following:

“Item 5:

Risk Factors

1. Where appropriate, set out the risk factors and speculative nature of the business or the securities being offered on the first page of the prospectus. This information may be given in the body of the prospectus if an appropriate reference is made on the first page of the prospectus.

2. In addition to factors common to an activity sector, a particular factor that may affect the risk appraisal that a prudent investor would make must be mentioned.

3. As the case may be, mention the small likelihood of profit.

4. Where there is a risk that a purchaser of the securities offered may become liable to make an additional contribution beyond the price of the security, disclose any information or facts that may bear on the security holder’s assessment of risks associated with the investment.”.

79. This regulation is amended by inserting, in Schedule III, after Item 5 the following item:

“ Item 5.1

Dilution

1. Set out on the first page, if any, the dilution of the securities offered, based on net tangible assets given in the body of the prospectus if an appropriate reference is made on the first page. The information must be presented in accordance with the following table.

Dilution per share

Offering price		_____ \$
Net tangible book value before distribution	_____ \$	
Increase of net tangible book value attributable to the distribution	_____ \$	
Net tangible book value after the distribution		_____ \$
Dilution to subscriber		===== \$
Percentage of dilution in relation to the offering price		===== %

2. Give, in the following tabular form, a comparison between the offering price to new investors and the consideration paid by the existing shareholders.

	Shares held		Price or consideration		Average price per share
	Number	%	Amount	%	
Existing shareholders			\$		\$
New shareholders			\$		\$
		100 %	\$	100 %	

Instructions

1. The issuer may omit the information prescribed by this item where it considers such information to be of no value.

2. In the calculation of the net tangible book value after the offering, the remuneration of the underwriter and the cost of distribution are to be deducted."

80. This regulation is amended by replacing, in Schedule IV, paragraph 3 of Item 9 by the following:

"3. Where non-voting or limited voting shares (other than preferred shares) are issued, comply with the following provisions:

(1) the first page of the prospectus must state clearly that the shares offered are restricted shares;

(2) the term "common share" is reserved for an equity share that has voting rights and that belongs to the only class of shares with voting rights;

(3) the prospectus must describe clearly the rights attached to the securities offered and to any other classes of shares."

81. This regulation is amended by replacing, in Schedule IV, Item 11 by the following:

"The prospectus must contain the statement prescribed by section 59.1 of the regulation."

82. This regulation is amended by inserting, in Schedule IV, after Item 17 the following item:

"Item 18:

Principal financial information

1. Give the following consolidated financial information:

(1) for each of the last five financial years of the reporting issuer:

(a) net sales or total revenues;

(b) profits or losses without taking into account extraordinary items, total and per share;

(c) total assets;

(d) the total amount of long-term debt and that of redeemable preferred shares;

(e) dividends per share;

(f) net earnings (total and per share);

(2) for the last eight quarters:

the information in subparagraphs *a*, *b* and *f* of paragraph 1.

2. Briefly describe factors such as a change in accounting policies, the combination of two or more activities or the disposition of a part of the assets of the reporting issuer which have a significant effect on the appreciation of this information."

83. This regulation is amended by replacing Schedule V by the following:

**"SCHEDULE V
SIMPLIFIED PROSPECTUS FOR AN
INCORPORATED MUTUAL FUND OR AN
UNINCORPORATED MUTUAL FUND**

Item 1:

Cover Statement

The simplified prospectus must contain, on the outside cover, the following notice:

"The information contained herein must be accompanied by the annual financial statements of the issuer for the last financial year and the auditors' report thereon, which statements and report are considered to form part of this document. If subsequent financial statements have been filed with the Securities Commission, a copy of the most recent of such subsequent statements must also accompany this document."

Item 2:

Introductory Statement

The simplified prospectus must contain on the first page the following notice:

"This simplified prospectus is a concise outline of the relevant information about the issuer which you should know before making a decision to purchase its securities. The issuer is required by law to fully disclose additional facts related to this information in an annual information form, financial statements and other material documents filed with securities regulatory authorities in each Province where the issuer's securities are offered, which documents collectively are known as the issuer's permanent information record.

Securities laws in Canada establish certain security holder rights which are described in this simplified prospectus. These rights are based in part on other disclosures of the issuer found in the annual information form which is incorporated into this simplified prospectus by reference, as well as upon disclosure

contained in this simplified prospectus. All of these rights are available to you even though you receive only this simplified prospectus and accompanying financial statements.

The documents currently in the permanent information record may be obtained by you through your dealer or from the issuer at the following address: _____."

Item 3:

Name and Formation of Issuer

State the full name of the issuer and the address of its head office. State the laws under which the issuer was formed and the manner and date of formation. If the issuer's name was changed during the past twelve months, state its former name and the date on which it was changed. State the name and address of the promoter, if any.

Item 4:

Description of Business

Briefly describe the business of the issuer.

Item 5:

Risk Factors

(1) Where appropriate to a clear understanding by investors of the risk factors and speculative nature of the enterprise or of the securities being offered, an introductory statement shall be made on the first page summarizing the factors which make the purchase a risk or speculation. The information may be given in the body of the simplified prospectus if an appropriate reference is made on the first page to the risks and the speculative or promotional nature of the enterprise and a cross reference is made to the place in the simplified prospectus where the information is contained.

(2) Where there is a risk that purchasers of the securities offered may become liable to make an additional contribution beyond the price of the security, disclose any information or facts that may bear on the security holder's assessment of risks associated with the investment.

Item 6:

Description of Securities Offered

(1) Describe the shares or units offered and, without limiting the generality of the foregoing, furnish the following information:

- (1) dividend rights;
- (2) voting rights;
- (3) liquidation or distribution rights;
- (4) pre-emptive rights;

- (5) conversion rights;
 - (6) redemption, purchase for cancellation or surrender provisions;
 - (7) liability to further calls or to assessment by the issuer; and
 - (8) provisions as to modification, amendment or variation of any such rights or provisions.
- (2) If the rights of holders of such shares or units may be modified otherwise than in accordance with the provisions attaching to such shares or units or the provisions of the governing act relating thereto, so state and explain briefly.

Instructions

1. This item requires only a brief summary of the provisions that are material from an investment standpoint. The provisions attaching to the shares or units may be entered in the permanent information record.
2. If the rights attaching to the shares or units being offered are materially limited or qualified by those attached to any other class of securities or if another class of securities ranks ahead of or equally with the shares or units being offered, include information regarding such other securities that will enable investors to understand the rights attaching to the shares or units being offered. If any shares or units being offered are to be offered in exchange for other securities, an appropriate description of the other securities shall be given. No information need be given, however, as to any class of securities that is to be redeemed or otherwise retired, provided appropriate steps to assure redemption or retirement have been or will be taken prior to or contemporaneously with the delivery of the shares or units being offered.

Item 7:

Price of Securities on Sale or Redemption

- (1) Describe briefly the method followed or to be followed by the issuer in determining the price at which its securities will be offered for sale and redeemed and state the frequency with which the net asset value is determined and the time when the price becomes effective.
- (2) State, where applicable, the sales charge expressed as a percentage of the total amount paid by the purchaser and as a percentage of the net amount invested in securities of the issuer. Where these charges vary on a quantity basis give particulars of the quantities and the respective sales charges applicable thereto.
- (3) Describe briefly the procedure followed or to be followed by the purchaser for securities on sale or

redemption, including any special purchase plans which may exist and any penalty for early redemption. State, where applicable, any redemption charge expressed as a percentage of the redemption price on a quantity basis, give particulars of the quantities and the respective redemption charges applicable thereto.

(4) Describe briefly any specific right or requirement to reinvest the proceeds of dividends or similar distributions in the issuer's securities.

(5) Refer the purchaser to the annual information form for a detailed statement of the information required in this item.

Item 8:

Method of Distribution

Outline briefly the method of distribution of the securities being offered. If sales are to be effected through a person or company (the "contractual distributor") pursuant to an arrangement with the issuer, give brief details of any arrangements with the contractual distributor (see Item 9) and state whether the issuer intends to distribute its securities through other distributors.

Instructions

1. If the securities are being offered by way of a contractual plan, give the main particulars of the contractual plan, including:
 - (1) minimum initial investment;
 - (2) subsequent minimum investment;
 - (3) sales charge deductions from such minimum investments;
 - (4) sales charges as a percentage of the amount paid by the purchaser and as a percentage of the net amount invested in securities of the issuer;
 - (5) the total amount invested contrasted to the amount paid by the purchaser.
2. As used in this item, "sales charge" includes all service charges including charges related to the establishment of a contractual plan and its continuing administration and maintenance.

Item 9:

Responsibility for Principal Functions

- (1) Give a concise statement of the manner in which the following functions of the issuer are performed and who is responsible therefor, stating how such functions are co-ordinated and, to the extent that any such functions are not performed by bona fide employees of the issuer, the names and addresses of the persons or companies responsible for performing such functions:

- (1) management of the issuer other than management of the investment portfolio;
- (2) management of the investment portfolio;
- (3) providing investment analysis;
- (4) providing investment recommendations;
- (5) making investment decisions;
- (6) purchase and sale of the investment portfolio and brokerage arrangements relating thereto;
- (7) distribution of the securities offered.

(2) Refer the purchaser to the annual information form for greater detail regarding the purchase and sale of the investment portfolio and brokerage arrangements relating thereto.

(3) Indicate the circumstances under which the management agreement may be terminated.

(4) Indicate conflicts of interest or potential conflicts of interest between the issuer and the persons or companies named in answer to paragraph (1).

Instructions

1. The address given may be the municipality of residence or a postal address, however the Commission may request that the home address in full be furnished to it.

2. In giving information regarding distribution of securities the name and address of only the contractual distributor need be given.

3. If one or more persons or companies perform more than one of the functions referred to in this Item, so state, giving details of all functions so performed.

Item 10:

Management Fees

(1) Indicate the method of determining the amount of management fees charged to the issuer and, distinguishing between those charged directly to security holders, other expenses, if any, and make a cross reference to the financial statements for details as to the amount of management fees and other expenses, if any, which have been charged to the issuer.

(2) Set out in tabular form in the simplified prospectus or by way of note to the financial statements, a record of management expense ratio comprising the aggregate of all fees and other expenses paid or payable by the issuer during each of the last five completed financial years as a percentage of average net assets under administration during each of those financial years. Such disclosure should also include a brief

description of the method of calculating the percentage and a statement that the management expense ratio may vary from one mutual fund to another.

Instructions

1. Where management fees are changed or it is proposed to change them and where such change would have had an effect on the management expense ratio for the most recent financial year if the change had been in effect throughout that year, the effect of such change should be disclosed.

2. Where the financial year is other than a full year, the management expense ratio should be annualized, the period covered specified and a statement made that the management expense ratio is annualized.

3. For purposes of this item, "average net assets" should be calculated to be the average of the net assets at each valuation date of the issuer. The term "other expenses" means all other expenses incurred in the course of ordinary business relating to the organization, management and operation of the issuer with the exception of the commissions and brokerage fees on the purchase and sale of portfolio securities and taxes of all kinds, other than penalties, to which the issuer is subject.

4. Where an issuer invests in another mutual fund, the management expense ratio shall be calculated on the basis of those assets of the issuer on which a management fee is charged.

5. The financial statements should set out in appropriate detail the amounts of the management fee and other expenses, if any, which have been charged to the issuer.

6. The basis or rates of charges levied against security holders, rather than the issuer, for special services such as trustee fees for registered retirement savings plans, redemption fees, transfer fees between related mutual funds or any other specific charges to a class of investors, should be disclosed separately in a single table in the body of the simplified prospectus or as a note to the financial statements and should not be included as part of the management expense ratio.

Item 11:

Investment Objectives and Practices

(1) Precisely state the investment objectives of the issuer.

(2) Refer the purchaser to the annual information form for information concerning restrictions on investment practices of the issuer in pursuing its objectives.

Instructions

Aims such as long-term capital appreciation or current income and the types of securities in which the issuer will invest should be described.

Item 12:

Dividends or Distributions

Indicate, by way of note to the financial statements, the amount of dividends or other distributions per share or unit paid by the issuer including income allocated to security holders by way of dividend reinvestment or otherwise during the latest financial year and each of the previous four completed financial years.

Instructions

Dividends should be set out on a per security basis, shown separately for each class of security in respect of each of the financial years. Appropriate adjustments should be made to reflect changes in capitalization during the period.

Item 13:

Tax Status of Security Holders

State in general terms the income tax consequences to the holders of the securities offered of:

- (1) any distribution to such holders in the form of dividends or otherwise including amounts reinvested;
- (2) redemption of securities;
- (3) sale of securities;
- (4) transfers between mutual funds.

Item 14:

Legal Proceedings

Describe briefly any legal proceedings material to the issuer, to which the issuer is a party or of which any of its property is the subject.

Instructions

Include the name of the court or agency, the date instituted, the principal parties thereto, the nature of the claim, the amount claimed if any, whether the proceedings are being contested, and the present status of the proceedings.

Item 15:

Other Material Facts

Give particulars of any other material facts relating to the securities proposed to be offered which are not contained in the annual information form.

Item 16:

Auditors, Transfer Agent and Registrar

(1) State the name and address of the issuer's auditor.

(2) State the name of the issuer's transfer agent and registrar and the cities in which the registers of transfer of securities of the issuer are kept.

Item 17:

Statutory Rights

Include the following statement in the simplified prospectus.

"Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase mutual fund shares or units within two business days after receipt of a simplified prospectus. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer.

In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the simplified prospectus and any amendment contain a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his province or territory for the particulars of these rights or consult with a legal adviser."

84. The heading of Schedule VI of this regulation is replaced by the following:

"OFFERING MEMORANDUM (SMALL BUSINESS)".

85. This regulation is amended by replacing, in Schedule I, Item 1 by the following:

"The following warning must appear on the first page of the offering memorandum:

"No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered by the present offering memorandum and any representation to the contrary is an offence."

86. This regulation is amended by replacing, in Schedule VI, the first paragraph of Item 2 by the following:

"The information called for concerning the distribution spread must be given, in tabular form, on the first page of the offering memorandum."

87. The French text of this regulation is amended by replacing, in Schedule VI, Instruction 2 of Item 4 by the following:

"2. Lorsque le contrat contient une clause de sauvegarde, le mentionner. Cette mention se présente sous la forme du modèle suivant:

"En vertu d'un contrat intervenu le _____ entre la société et _____ à titre de _____, la société a convenu d'émettre et le _____ a convenu de souscrire à la date du _____ au prix de _____ \$, les titres suivants: _____, payables comptant sur livraison. Le _____ a la faculté de résoudre ce contrat à son gré, sur le fondement de son appréciation de la conjoncture; le contrat peut également être résolu par la réalisation de certaines conditions. Toutefois, le _____ est tenu de prendre livraison de la totalité des _____ et d'en payer le prix, s'il souscrit _____."

88. This regulation is amended by replacing, in Schedule VI, Item 5 by the following:

"Item 5:

Risk Factors

1. Where appropriate, set out the risk factors and speculative nature of the business or the securities being offered on the first page of the offering memorandum.

This information may be given in the body of the offering memorandum if an appropriate reference is made on the first page or in the summary of the offering memorandum.

2. In addition to factors common to an activity sector, a particular factor that may affect the risk appraisal that a prudent investor would make must be mentioned.

3. As the case may be, mention the small likelihood of profit or of resale of the shares purchased.

4. Where there is a risk that a purchaser of the securities offered may become liable to make an additional contribution beyond the price of the security, disclose any information or facts that may bear on the security holder's assessment of risks associated with the investment."

89. This regulation is amended by inserting, in Schedule VI, after Item 5 the following item:

"Item 5.1:

Dilution

1. Set out on the first page, if any, the dilution of the securities offered, based on net tangible assets including the distribution. This information may be given in the body of the offering memorandum if an appropriate reference is made on the first page. The information must be presented in accordance with the following table.

Dilution per share

Offering price		_____	\$
Net tangible book value before distribution		_____	\$
Increase of net tangible book value attributable to the distribution		_____	\$
Net tangible book value after the distribution		_____	\$
Dilution to subscriber		=====	\$
Percentage of dilution in relation to the offering price		=====	%

2. Give, in the following tabular form, a comparison between the offering price to new investors and the consideration paid by the existing shareholders.

	Shares held		Price or consideration		Average price per share
	Number	%	Amount	%	
Existing shareholders			\$		\$
New shareholders			\$		\$
		100 %	\$	100 %	

Instructions

1. The issuer may omit the information prescribed by this item where it considers such information to be of no value.

2. In the calculation of the net tangible book value after the offering, the remuneration of the underwriter and the cost of distribution are to be deducted."

90. This regulation is amended by replacing, in Schedule VI, Item 10 by the following:

"Item 10:

Executive Remuneration**1. Scope of application**

The information to be provided relates to the company's executive officers: chairman and vice-chairman of the Board if they perform their functions on a full time basis, president, vice-presidents in charge of principal business units, divisions or functions (sales, finance, etc.) and any other officer of the issuer or of a subsidiary who performs a policy-making function in respect of the issuer.

Interest on deferred compensation need be disclosed only if the interest rate exceeds rates prevailing at the time of accrual or at the time the plan pursuant to which the compensation is deferred was established.

Remuneration of directors, who are not also executive officers, is taken into account only as provided in paragraph 6.

2. Cash remuneration

(1) State the aggregate cash remuneration paid to executive officers by the company and its subsidiaries for services rendered during the last financial year.

Cash remuneration includes salaries, director's fees, commissions and bonuses. This information may be broken down into those categories.

Present the information in accordance with the following table:

CASH REMUNERATION TABLE

Number	Amount
Executive officers	Cash Remuneration \$

(2) In addition to amounts actually paid during and for the last financial year, cash remuneration includes:

(a) bonuses to be paid for services rendered during the last financial year unless such amounts have not yet been allocated;

(b) bonuses paid during the last financial year, for services rendered in a previous financial year, less any amount already disclosed or less any amount that would have been disclosed in a previous financial year, if one had then been an executive officer;

(c) any remuneration earned during the last financial year the cash payment of which is deferred.

(3) Remuneration, for a period during which a person included in the group was not then an executive officer, need not be included, provided a statement to that effect is made.

3. Remuneration pursuant to plans

Remuneration pursuant to plans need be taken into account only to the extent that they discriminate, in scope, terms or operation in favor of executive officers and are not available to all full time employees other than those covered by collective agreements.

(1) Describe briefly any plan, pursuant to which cash or non-cash remuneration was paid or distributed during the last financial year or is proposed to be paid or distributed in a subsequent year.

This description includes:

(a) a summary of how the plan operates;

(b) the criteria used to determine amounts payable;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) amounts paid or distributed during the last financial year less any amount already disclosed pursuant to subparagraph g;

(g) amounts accrued for the group during the last financial year, inasmuch as the distribution or unconditional vesting of same is not subject to future events.

(2) With respect to stock options granted during the last financial year provide the following information:

(a) a summary of how the plan operates;

(b) the criteria used to determine the number of shares optioned;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) the number of shares optioned during the last financial year;

(g) the designation and aggregate number of securities subject to options;

(h) the average per share exercise price (when more than one option is granted, the information should be given for each option);

(i) when the price mentioned in h is less than the market value of the security on the date the option is granted, provide the market price on such date.

(3) With respect to stock options exercised during the last financial year, provide, in addition to the information prescribed by subparagraphs a to f of paragraph (2), the net value (market value less exercise price).

4. Other remuneration

Describe any other remuneration not covered in the cash or plans remuneration sections, and in particular, personal benefits, securities or property paid or distributed other than pursuant to a plan, inasmuch as it is not offered, on the same terms, to all full time employees other than those covered by collective agreements.

The value to be given for such remuneration shall be the registrant's and subsidiaries' aggregate incremental cost.

However, when the aggregate value of other remuneration does not exceed on an average basis for all the executives in the group, the lesser of 10 000 \$ times the number of persons in the group or 10 % of the aggregate cash remuneration, it is necessary to declare that fact only.

In the case of a company meeting the requirements of section 160 of the Regulation, the 10 000 \$ threshold is raised to 25 000 \$.

5. Termination of employment or change of control

Describe any plan or arrangement with respect to an executive officer for the latest or next preceding financial year in view of compensating him in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, when that compensation exceeds 60 000 \$.

6. Remuneration of directors

(1) Describe any standard arrangement pursuant to which directors are remunerated for their services in their capacity as director, including any additional amounts payable for committee participation or special assignments, and state the aggregate amount paid pursuant to each such standard arrangement, less the amount already reported in the cash remuneration table.

(2) Describe any other arrangements, in addition or in lieu of any standard arrangement, pursuant to which directors were remunerated during the last financial year, stating the aggregate amount paid pursuant to each such arrangement.

Where compensation is in non-cash form, state the value of the benefit conferred, or if it is not possible to state the value, describe the benefit conferred.

7. Special provisions concerning non-incorporated issuers

Unincorporated issuers must report:

(a) the aggregate amount of fees paid to individuals acting as directors or trustees in respect of each of the financial years reported upon;

(b) the aggregate amount of expenses reimbursed to directors or trustees in respect of the fulfillment of their duties as directors or trustees.

In addition, the issuer must state that the amount reported as paid or reimbursed constitutes the only compensation paid by the issuer to such directors or trustees.

The information required by this section may be disclosed in the annual financial statements.”.

91. This regulation is amended by replacing, in Schedule VI, paragraph 3 of Item 15 by the following:

“3. Where non-voting or limited voting shares (other than preferred shares) are issued, comply with the following provisions:

(1) the first page of the offering memorandum must state clearly that the shares offered are restricted shares;

(2) the term “common share” is reserved for an equity share that has voting rights and that belongs to the only class of shares with voting rights;

(3) the offering memorandum must describe clearly the rights attached to the securities offered and to any other classes of shares.”.

92. This regulation is amended by replacing, in Schedule VI, Item 21 by the following:

“Item 21:

Financial statements and auditor's report

The offering memorandum must present the financial statements and the auditor's report prescribed by Division II of Chapter I of Title II, however, with respect to preceding financial years, only the statements of the last two years are required.”.

93. This regulation is amended by replacing, in Schedule VI, Item 23 by the following:

“Item 23:

Signatures

The offering memorandum must be signed by two senior executives of the issuer and by the promoter. It must also be signed by the dealer if he distributes the securities.”.

94. This regulation is amended by the addition, in Schedule VI, after Item 23 of the following item:

“Item 24:

Civil liability

The offering memorandum must contain the following statement:

“The securities Act provides purchasers with remedies for rescission or, in certain cases, damages where the offering memorandum contains a misrepresentation. However, these remedies must be exercised within the time limit prescribed. The purchaser should refer to the applicable provisions and eventually consult with a legal adviser.”.

95. This regulation is amended by inserting after Schedule VII of Schedule VII.1:

“SCHEDULE VII.1

INFORMATION DOCUMENT CONCERNING EXCHANGE TRADED OPTIONS

No securities commission or similar authority in Canada has in any way passed upon the merits of options referred to herein and any representation to the contrary is an offence. This document contains condensed information respecting the options referred to herein. Additional information may be obtained from your dealer.

DISCLOSURE STATEMENT

FOR

EXCHANGE TRADED OPTIONS

A high degree of risk may be involved in the purchase and sale of options, depending to a large measure

on how and why options are used. Options may not be suitable for every investor. See "Risks in options trading" and "Additional information".

Introduction

This disclosure statement sets forth general information and considerations relevant to the purchase and sale of put and call options traded on an exchange and cleared through a clearing corporation. Information concerning the underlying interests on which options are traded, the specific terms of these options, the exchanges on which they trade and the applicable clearing corporations may be obtained from your dealer. Information on investment strategies and possible uses of options may also be obtained from your dealer.

This disclosure statement refers only to options and clearing corporations which have been recognized or qualified for purposes of this disclosure statement by provincial securities administrators where required.

Nature of an option

An option is a contract entered into on the floor on an exchange between a seller (sometimes called a "writer") and a purchaser where all the terms of the contract (sometimes called the "specifications"); other than the consideration (called the "premium") for the option paid by the purchaser to the seller, are standardized and predetermined by the exchange. The premium is determined on an exchange's auction market on the basis of supply and demand, reflecting such factors as the duration of the option, the difference between the exercise price of the option and the market price of the underlying interest, the price volatility and other characteristics of the underlying interest.

There are two types of options: calls and puts. An option gives the purchaser a right to buy (in case of a call) or sell (in case of a put) a specific underlying interest at a stated exercise price and within a specified period of time. An option subjects the seller to an obligation to honour the right granted to the purchaser if, as and when exercised by the purchaser. Underlying interests can be shares of a specific corporation, bonds, notes, bills, certificates of deposit, commodities, foreign currency, the cash value of an interest in a stock index or any other interest provided for in the specifications.

An option transaction is entered into on the floor of an exchange by a purchaser and a seller represented by their respective dealers. When the transaction is concluded it is cleared by a clearing corporation affiliated with the exchange on which the option is traded. When an option transaction is cleared by the clearing corporation it is divided into two contracts with the clearing

corporation becoming the seller to the purchaser in the transaction and the purchaser to the seller. Thus on every outstanding option, the purchaser may exercise the option against the clearing corporation and the seller may be called upon to perform his obligation through exercise of the option by the clearing corporation.

There are two groups of options: actual delivery options and cash delivery options. An actual delivery option requires the physical delivery of the underlying interest when the option is exercised. A cash delivery option requires a cash payment of the difference between the aggregate exercise price and the value of the underlying interest when the option is exercised.

Options are issued in series designated by an expiration month, an exercise price, an underlying interest and a unit of trading. At the time trading is introduced in options with a new expiration month, the exchange on which the option is traded establishes exercise prices that reflect the current spot prices of the underlying interest. Generally, three series of options are introduced with exercise prices at, below and above the current spot price. When the spot price of the underlying interest moves, additional options may be added with different exercise prices. Options having the same underlying interest and expiration month, but having different exercise prices, may trade at the same time.

Specifications of options

Each exchange fixes the terms and conditions of the options which it lists. These terms may include such items as trading units, exercise prices, expiration dates, last day of trading, etc.

An option may be bought or sold only on the trading floor of the exchange on which the option is listed. The exchange and the clearing corporation may each impose restrictions on certain types of transactions, and under certain circumstances may modify the terms of outstanding options. In addition, an exchange may limit the number of options on the same side of the market which may be held by an investor (totalling long calls and short puts, and totalling short calls and long puts), and may limit the exercise of options under prescribed circumstances.

Exercising options

At any time before the expiration of an option a purchaser may exercise the option. To do this, the purchaser notifies the dealer through whom the option was purchased. A purchaser should ascertain in advance from his dealer the latest date on which he may give such notice to his dealer. Upon receiving an

exercise notice from the purchaser's dealer, the clearing corporation assigns it to a member which may re-assign it to a client on a random or other predetermined selection basis.

The assignment of a notice of exercise of an option to a seller constitutes the exercise of the option. Upon exercise, the seller must make delivery of (in the case of a call) or take delivery of and pay for (in the case of a put) the underlying interest. In the case of a cash delivery option, the seller must, in lieu of delivery, pay the positive difference between the aggregate exercise price and the exercise value of the underlying interest (in the case of both a call and a put).

A purchaser of an option which expires loses the premium paid for the option and his transaction costs. The seller of an option which expires will have as his gain the premium received for the option less his transaction costs.

Trading of options

Each exchange provides a facility for secondary market trading of its options whereby, prior to expiration of an option, a purchaser may close his open long position through a closing sale transaction, if available, and a seller may close his open short position through a closing purchase transaction, if available. Closing purchase and sale transactions (sometimes called "offsetting transactions") must be effected through the dealer through whom the option was initially sold or purchased.

Price movements in the underlying interest of an option will generally be reflected to some extent in the secondary market value of the option and the purchaser who wishes to realize a profit will have to sell or exercise his option.

Margin requirements

Prior to trading options, a seller must deposit with his dealer cash or securities as collateral (called "margin") for the obligation to buy (in the case of a put) or sell (in the case of a call) the underlying interest if the option should be exercised. Minimum margin rates are set by the exchange on which the option trades. Higher rates of margin may be required by the seller's dealer.

Margin requirements of various exchanges may differ. In addition, they are subject to change at any time and such changes may apply retroactively to options positions previously established.

Commission charges

Commissions are charged by dealers on the purchase or sale of options as well as on the exercise of options and the delivery of underlying interests.

Risks in options trading

Options can be employed to serve a number of investment strategies including those concerning investments in or related to underlying interests. **SOME STRATEGIES FOR BUYING AND SELLING OPTIONS INVOLVE GREATER RISK THAN OTHERS.**

The following is a brief summary of some of the risks connected with trading in options:

1. Because an option has a limited life, the purchaser runs the risk of losing his entire investment in a relatively short period of time. If the price of the underlying interest does not rise above (in the case of a call) or fall below (in the case of a put) the exercise price of the option plus premium and commission charges during the life of the option, the option may be of little or no value and if allowed to expire will be worthless.

2. The seller of a call who does not own the underlying interest is subject to a risk of loss should the price of the underlying interest increase. If the call is exercised and the seller is required to purchase the underlying interest at a market price above the exercise price in order to make delivery, he may suffer a loss.

3. The seller of a put who does not have a corresponding short position (that is an obligation to deliver what he does not own) in the underlying interest may suffer a loss if the price of the underlying interest decreases below the exercise price, plus commission charges minus the premium received. Under such circumstances, the seller of the put will be required to purchase the underlying interest at a price above the market price, with the result that any immediate sale will give rise to a loss.

4. The seller of a call who owns the underlying interest is subject to the full risk of his investment position should the market price of the underlying interest decline during the life of the call, but will not share in any gain above the exercise price.

5. The seller of a put who has a corresponding short position in the underlying interest is subject to the full risk of his investment position should the market price of the underlying interest rise during the life of the put, but will not share in any gain resulting from a decrease in price below the exercise price.

6. Transactions for certain options may be carried out in a foreign currency. Accordingly, purchasers and sellers of these options using Canadian dollars will be exposed to risks from fluctuations in the foreign exchange market as well as to risks in the fluctuations in the price of the underlying interest.

7. There can be no assurance that a liquid offset market will exist for a particular option to permit a

closing sale transaction or a closing purchase transaction. For example, there may be insufficient trading interest in the particular option; or trading halts, suspensions or other restrictions may be imposed on the option or the underlying interest; or some event may interrupt normal exchange operations; or an exchange could for regulatory or other reasons decide or be compelled to discontinue or restrict trading in the option. In such circumstances the purchaser of the option would only have the alternative of exercising his option in order to realize any profit, and the seller would be unable to terminate his obligation until the option expired or until he performed his obligation upon being assigned an exercise notice.

8. The seller of an option has no control over when he might be assigned an exercise notice. A seller must assume that an exercise notice will be assigned to him at any time when exercise is advantageous to the purchaser and that, in such circumstances, the seller may incur a loss.

9. In unforeseen circumstances there may be a shortage of underlying interests available for delivery upon exercise of options, which could increase the cost of or make impossible the acquisition of the underlying interests in the spot market and cause the clearing corporation to impose special exercise settlement procedures.

10. In addition to the risks described above which apply generally to the buying and selling of options, there are timing risks unique to options that are settled by the payment of cash.

The exercise of options settled in cash results in a cash payment from the seller to the purchaser based on the difference between the exercise price of the option and the closing price (regardless of the actual time of exercise) of the underlying interest on the day of exercise.

The purchaser of a cash delivery option who exercises the option prior to the close of trading in the underlying interest will suffer from any unfavourable change in the value of the underlying interest from the time of his decision to exercise to the close of trading in the underlying interest when the exercise value is determined. With actual delivery options, this risk can be covered by a complementary transaction in the actual market for the underlying interest.

The seller of an option is not informed that he has been assigned an exercise notice at the earliest until the business day following exercise and the seller will suffer from any unfavourable change in the value of the underlying interest from the close of trading in the underlying interest on the day of exercise to the time he learns that he has been assigned. Unlike the seller of a

physical delivery option, the seller of a cash settlement option cannot satisfy his assignment obligations by delivery of the lower valued underlying interest, but must pay cash in an amount determined by the closing price of the underlying interest on the exercise date.

The type of risk discussed above makes spread positions and certain other combined option strategies involving cash settlement options substantially more risky than similar strategies involving physical delivery options.

Tax consequences

The income tax consequences of trading in options are dependent upon the nature of the business activities of the investor and the transaction in question. Investors are urged to consult their own professional advisers to determine the consequences applicable to their particular circumstances.

Additional information

Before buying or selling an option an investor should discuss with his dealer:

- his investment needs and objectives;
- the risks he is prepared to take;
- the specifications of options he may wish to trade;
- commission rates;
- margin requirements;
- any other matter of possible concern.

Specifications for each option are available on request from your dealer and from the exchange on which the option is listed."

96. This regulation is amended by the addition, in Schedule VIII, before Item 1 of the following text:

"When there is no solicitation, make the necessary adaptations."

97. The French text of this regulation is amended by replacing, in Schedule VIII, paragraph 2 of Item 2 by the following:

"2. Indiquer si la sollicitation est faite pour le compte d'une personne étrangère à la direction et donner le nom de celle-ci."

98. This regulation is amended by replacing, in Schedule VIII, Item 6 by the following:

"Item 6:

Executive Remuneration

1. Scope of application

The information to be provided relates to the company's executive officers: chairman and vice-chairman of the Board if they perform their functions on a full time basis, president, vice-presidents in charge of principal business units, divisions or functions (sales, finance, etc.) and any other officer of the issuer or of a subsidiary who performs a policy-making function in respect of the issuer.

Interest on deferred compensation need be disclosed only if the interest rate exceeds rates prevailing at the time of accrual or at the time the plan pursuant to which the compensation is deferred was established.

Remuneration of directors, who are not also executive officers, is taken into account only as provided in paragraph 6.

2. Cash remuneration

(1) State the aggregate cash remuneration paid to executive officers by the company and its subsidiaries for services rendered during the last financial year.

Cash remuneration includes salaries, director's fees, commissions and bonuses. This information may be broken down into those categories.

Present the information in accordance with the following table:

CASH REMUNERATION TABLE

Number	Amount
Executive officers	Cash Remuneration \$

(2) In addition to amounts actually paid during and for the last financial year, cash remuneration includes:

(a) bonuses to be paid for services rendered during the last financial year unless such amounts have not yet been allocated;

(b) bonuses paid during the last financial year, for services rendered in a previous financial year, less any amount already disclosed or less any amount that would have been disclosed in a previous financial year, if one had then been an executive officer;

(c) any remuneration earned during the last financial year the cash payment of which is deferred.

(3) Remuneration, for a period during which a person included in the group was not then an executive

officer, need not be included, provided a statement to that effect is made.

3. Remuneration pursuant to plans

Remuneration pursuant to plans need be taken into account only to the extent that they discriminate, in scope, terms or operation in favor of executive officers and are not available to all full time employees other than those covered by collective agreements.

(1) Describe briefly any plan, pursuant to which cash or non-cash remuneration was paid or distributed during the last financial year or is proposed to be paid or distributed in a subsequent year.

This description includes:

(a) a summary of how the plan operates;

(b) the criteria used to determine amounts payable;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) amounts paid or distributed during the last financial year less any amount already disclosed pursuant to subparagraph g;

(g) amounts accrued for the group during the last financial year, inasmuch as the distribution or unconditional vesting of same is not subject to future events.

(2) With respect to stock options granted during the last financial year provide the following information:

(a) a summary of how the plan operates;

(b) the criteria used to determine the number of shares optioned;

(c) the time periods over which the measurement of benefits will be determined;

(d) payment schedules;

(e) any recent material amendments to the plan;

(f) the number of shares optioned during the last financial year;

(g) the designation and aggregate number of securities subject to options;

(h) the average per share exercise price (when more than one option is granted, the information should be given for each option);

(i) when the price mentioned in h is less than the market value of the security on the date the option is granted, provide the market price on such date.

(3) With respect to stock options exercised during the last financial year, provide, in addition to the information prescribed by subparagraphs *a* to *f* of paragraph (2), the net value (market value less exercise price).

4. Other remuneration

Describe any other remuneration not covered in the cash or plans remuneration sections, and in particular, personal benefits, securities or property paid or distributed other than pursuant to a plan, inasmuch as it is not offered, on the same terms, to all full time employees other than those covered by collective agreements.

The value to be given for such remuneration shall be the registrant's and subsidiaries' aggregate incremental cost.

However, when the aggregate value of other remuneration does not exceed the lesser of 10 000 \$ times the number of persons in the group or 10 % of the cash remuneration reported pursuant to section 2, it is necessary to declare that fact only.

In the case of a company meeting the requirements of section 160 of the Regulation, the 10 000 \$ threshold is raised to 25 000 \$.

5. Termination of employment or change of control

Describe any plan or arrangement with respect to an executive officer for the latest or next preceding financial year in view of compensating him in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, when that compensation exceeds 60 000 \$.

6. Remuneration of directors

(1) Describe any standard arrangement pursuant to which directors are remunerated for their services in their capacity as director, including any additional amounts payable for committee participation or special assignments, and state the aggregate amount paid pursuant to each such standard arrangement, less the amount already reported in the cash remuneration table.

(2) Describe any other arrangements, in addition or in lieu of any standard arrangement, pursuant to which directors were remunerated during the last financial year, stating the aggregate amount paid pursuant to each such arrangement.

Where compensation is in non-cash form, state the value of the benefit conferred, or if it is not possible to state the value, describe the benefit conferred.

7. Special provisions concerning non-incorporated issuers

Unincorporated issuers must report:

(a) the aggregate amount of fees paid to individuals acting as directors or trustees in respect of each of the financial years reported upon;

(b) the aggregate amount of expenses reimbursed to directors or trustees in respect of the fulfillment of their duties as directors or trustees.

In addition, the issuer must state that the amount reported as paid or reimbursed constitutes the only compensation paid by the issuer to such directors or trustees.

The information required by this section may be disclosed in the annual financial statements."

99. This regulation is amended by replacing, in Schedule VIII, the paragraph preceding the Instructions of Item 7 by the following paragraphs:

"1. Disclose any information regarding the indebtedness of each senior executive of the company, of a nominee for the position of director or of a person associated with such senior executive or nominee, to the extent that it is not routine indebtedness.

2. This information need be given only in the circular prepared for the annual meeting."

100. This regulation is amended by replacing, in Schedule VIII, paragraph 2 of Instruction 3 of Item 7 by the following paragraph:

"(2) a loan made to a senior executive who is a full-time employee of the issuer provided that the loan is less than twice the amount of his salary and is secured by a first mortgage against his principal residence."

101. This regulation is amended by replacing, in Schedule VIII, paragraph 6 of the Instructions of Item 9 by the following:

"6. Paragraph 2 does not apply in the following cases:

(1) a change of auditor of a subsidiary of the reporting issuer where it is proposed that the auditor of that subsidiary be replaced by the auditor of the parent company;

(2) a change of auditor where the change is required by law."

102. The heading of Schedule IX is replaced by the following:

"ANNUAL INFORMATION FORM".

103. This regulation is amended by inserting, in Schedule IX, after paragraph 3 of Item 8 the following paragraph:

"However, in the case of the reporting issuer that fulfills the conditions prescribed by paragraphs 1 and 2 of section 160 or by section 161 or 162 of the regulation, only the number of voting securities held or controlled by the directors as a group may be given."

104. This regulation is amended by replacing Schedule X by the following:

**"SCHEDULE X
ANNUAL INFORMATION FORM OF AN
INCORPORATED OR UNINCORPORATED
MUTUAL FUND**

Item 1:

Name and Formation of Issuer

State the full name of the issuer and the address of its head office, the laws under which the issuer was formed and the date the issuer came into existence. If material, state whether the documents have been amended.

Instructions

Particulars of any such documents need be set out only if material to the securities offered by the simplified prospectus. See Schedule V, Item 6.

Item 2:

Business of the Issuer

(1) Describe the business of the issuer.

(2) If the issuer has engaged in any business other than that of a mutual fund during the past five years, state the nature of the other business and give the approximate date on which the issuer commenced to operate as a mutual fund. If the issuer's name was changed during the period, state its former name and the date on which it was changed. Indicate briefly the nature and results of any bankruptcy, receivership or similar proceedings or any other material reorganization of the issuer during the period.

(3) If during the past two years any affiliate of the issuer had any material interest in any transaction involving the purchase of any substantial amount of assets presently held by the issuer, describe the interest of the affiliate in such transaction and state the cost of such assets to the purchaser and to the seller.

Item 3:

Price of Securities on Sale or Redemption

Repeat disclosure required by Item 7 of Schedule V and in addition give the following information:

(1) Describe the rules used for the valuation of the issuer's assets and liabilities for the purpose of calculating net asset value and disclose all instances, within the past three years, when the discretion to deviate from these rules, if any, was exercised.

(2) Indicate briefly any difference in the sales charges imposed upon the sale of securities in connection with the conversion or exchange of securities or the reinvestment of dividends and similar distributions.

(3) In this form, "sales charge" includes all service charges including charges relating to such matters as cost of the establishment of a contractual plan and the cost of the continuing administration and maintenance of such a plan.

(4) When giving particulars of the sales charge with respect to a contractual plan indicate when during the term of the plan the sales charge will be deducted.

(5) Give particulars of the entitlement of the purchaser of a contractual plan to a refund of any sales charge incurred if the contractual plan is terminated during the term of such plan.

Item 4:

Responsibility for Principal Functions

Repeat disclosure required by Item 9 of Schedule V and in addition give the following information:

(1) Provide the name and address of each person, or of each of the senior executives of each of the companies, responsible for the performance of the principal functions described in the simplified prospectus and set out above.

(2) Indicate the method of determining the amount of management fees and state the total of such fees paid during each of the last five completed financial years and separately for the period from the last completed financial year to a date within thirty days of this annual information form.

(3) Indicate the circumstances under which the management agreement may be terminated.

(4) Indicate conflicts of interest or potential conflicts of interest between the issuer and the persons and companies named in answer to (1).

Instructions

1. The address given may be the place of residence or a postal address, however the Commission may

request that the home address in full be furnished to the Commission.

2. In giving information regarding distribution of securities the name and address of only the contractual distributor need be given.

3. In giving information regarding the purchase and sale of the investment portfolio and brokerage arrangements relating thereto the name and address of only the principal dealer need be given and, give brief details of the following matters:

(1) the total cost, during the last completed financial year of the issuer, of securities acquired, distinguishing between,

(a) securities of or guaranteed by the government of any country, or any political subdivision thereof;

(b) short-term notes;

(c) other securities;

(2) the total cost of securities held at the beginning and at the end of the issuer's last completed financial year;

(3) the formula, method or criteria used in allocating brokerage business to persons or companies engaged in the distribution of the securities of the issuer;

(4) the formula, method or criteria used in allocating brokerage business to persons or companies furnishing statistical, research or other services to the issuer or the manager of the issuer;

(5) the amount of brokerage paid to the principal dealer for the last three completed financial years, giving the total amount paid in each year and expressing the amount paid in each year as a percentage of the total brokerage paid by the issuer.

4. If one or more persons or companies performs more than one of the functions referred to in this item, so state, giving details of all functions so performed.

5. As used in this Form:

(1) "principal dealer" includes,

(a) a person or company through whom the investment portfolio of the issuer is purchased or sold pursuant to a contractual arrangement with the issuer or the manager of the issuer providing for an exclusive right to purchase or sell the investment portfolio of the issuer or any feature which gives or is intended to give a dealer a material competitive advantage over other dealers in respect of the purchase or sale of the investment portfolio of the issuer;

(b) a person or company, together with any affiliate, by or through whom 15 % or more of the securities transactions of the issuer were carried out;

(2) "brokerage arrangements" or "brokerage business" include all purchases and sales of the investment portfolio, whether effected directly or through an agent.

6. With the consent of the Commission, a person or company who would otherwise be, within the meaning of paragraph 5, a principal dealer may, with respect to any one or more of the items of disclosure required by this Form, be treated as not coming within the definition of a principal dealer.

Item 5:

Investment Policy and Restrictions

State the policy or proposed policy of the issuer with respect to each of the following types of activities describing the extent to which the issuer may engage in or is restricted from engaging in each such activity. Indicate which of the policies may not be changed without security holder approval:

(1) the issuing of securities other than those contemplated by the issuer's simplified prospectus;

(2) the borrowing of money;

(3) the firm underwriting of securities issued by other issuers;

(4) the concentration of its investments in a particular class or kind of industry;

(5) the purchase and sale of real estate;

(6) the purchase and sale of commodities or commodity futures contracts;

(7) the making of loans, whether secured or unsecured;

(8) the investment of a specific proportion of the assets of the issuer in a particular type of security (e.g. bond, preferred shares, money market instruments, etc.);

(9) the investment of more than 10 % of the assets of the issuer in the securities of any one issuer;

(10) the investment in more than 10 % of the securities of any one issuer;

(11) the investment in securities for the purpose of exercising control or management;

(12) the investment in securities of investment companies or other mutual funds;

(13) the purchase or sale of mortgages;

- (14) the purchase of securities on margin or selling short;
- (15) the investment in securities which are not fully paid;
- (16) the investment in illiquid securities or securities whose resale is restricted;
- (17) the investment in foreign securities;
- (18) the investment in gold or gold certificates;
- (19) the pledging, mortgaging or hypothecating of the issuer's assets;
- (20) the sale of portfolio securities to senior executives or trustees of the issuer or of the manager, or the purchase of securities from such persons;
- (21) the guaranteeing of the securities or the obligations of another issuer;
- (22) the purchase of options, rights and warrants;
- (23) the writing of covered or uncovered clearing corporation options;
- (24) the investment in a security which may require the purchaser to make an additional contribution beyond the price of the security;
- (25) any investment other than in securities;
- (26) the lending of the issuer's portfolio securities.

Instructions

1. For the purpose of clause (7), the purchase of debt securities for investment purposes is not considered to be the making of a loan by the issuer.
2. For the purpose of clause (16), where the issuer invests in securities whose resale is restricted, describe how those securities are valued for the purpose of computing the net asset value of the fund.

Item 6:

Significant Holdings in Other Issuers

Furnish in substantially the tabular form indicated the following information as at a date within thirty days of the date of the annual information form with respect to each issuer, 5 % or more of whose securities of any class are beneficially owned directly or indirectly by the mutual fund or any of its subsidiaries.

Name and Address of company	Nature of its principal business	Percentage of securities and class owned by issuer	Percentage of value of issuer assets invested therein
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Item 7:

Tax Status of Issuer and Security Holder

- (1) State in general terms the bases upon which the income and capital receipts of the issuer are taxed.
- (2) Repeat disclosure prescribed by Item 13 of Schedule V in respect of the tax status of the security holder.

Item 8:

Legal Proceedings

Describe briefly any legal proceedings material to the issuer to which the issuer is a party or of which any of its property is subject.

Instructions

Identify the court or the agency having jurisdiction, the date on which the suit was filed, the principal parties involved, the nature of the claim and the amount claimed. State whether the proceedings are contested and indicate the present status of the proceedings.

Item 9:

Senior Executives and Trustees

List the names and home addresses of all senior executives and trustees of the issuer and indicate all positions and offices with the issuer held by each person named, and the principal occupations, within the five preceding years, of each senior executive and trustee.

Instructions

1. The address given may be the place of residence or postal address, however the Commission may request that the home address in full be furnished to the Commission.
2. Where the principal occupation of a senior executive or trustee is that of an officer of a company other than the mutual fund, state the business in which such company is engaged.
3. Where a senior executive has held more than one position in the issuer, or a parent or subsidiary thereof, state only the first and last position held.

Item 10:

Remuneration of Senior Executives and Trustees

(1) Incorporated and unincorporated mutual funds which directly employ officers must present the information prescribed by Item 18 of Schedule II.

(2) Incorporated mutual funds, the business of which are managed by a management company pursuant to a contractual arrangement, or unincorporated mutual funds, the business of which are managed by a corporate trustee pursuant to the terms of a trust indenture, must report in their annual financial statement:

(a) the aggregate amount of directors' or trustees' fees paid in respect of each of the financial years reported upon;

(b) the aggregate amount of expenses reimbursed to the directors or trustees in respect of their fulfillment of duties as directors or trustees.

As well, such issuers must state in the prospectus or in the annual information form that amounts reported in the financial statements as paid or reimbursed to directors and trustees constitute the only compensation paid by the issuer to such directors and trustees.

Item 11:

Indebtedness of Senior Executives and Trustees

Disclose any information regarding the indebtedness to the issuer or its subsidiaries of each senior executive or trustee, each proposed nominee for election as a director or trustee or of a person associated with such senior executive, trustee or nominee, to the extent that it is not routine indebtedness.

Instructions

1. State the name and address of any person who is the beneficiary of such a loan. The place of residence or the postal address will suffice.

2. State the largest aggregate amount of indebtedness outstanding towards the issuer and its subsidiaries by each of such persons at any time during the last financial year, the nature of the indebtedness and the transaction in which it was incurred, the balance presently outstanding, and the rate of interest.

3. "Routine indebtedness" means:

(1) a loan granted on the same terms to all the employees and not exceeding 25 000 \$;

(2) a loan granted to a full-time senior executive, provided that the loan was for less than his annual salary and was entirely secured by a hypothec on his residence;

(3) a loan granted to a senior executive who is not a full-time employee or to a person associated with him, provided that the granting of credit forms part of the business of the reporting issuer, that the loan is granted on the same terms as to customers and it involves no unusual risks of collectibility;

(4) a loan granted at the time of purchases made on normal business terms or resulting from advances of travel or entertainment allowances, provided that the terms of repayment comply with business practice.

Item 12:

Associated Persons

Provide, in respect of any person mentioned in answer to Item 9 of Schedule V, the following information:

(1) If the person:

(1) is an associate of the issuer;

(2) is a senior executive of a legal person that is associated with any affiliate of the issuer or is associated with that legal person;

(3) is a senior executive of a legal person associated with the issuer or is associated with that legal person, so state and give details of the relationship.

(2) If the issuer:

(1) is associated with that person;

(2) is associated with a legal person affiliated with that person;

(3) is associated with a legal person that is associated with that person,

so state and give details of the relationship.

(3) If a person associated with the issuer is also associated with the person mentioned, so state and give details of the relationship.

(4) If the person has signed a contract with the issuer, describe it briefly, indicate the method of fixing the remuneration of that person and give the amount of the remuneration paid or payable by the issuer to that person during the last financial year of the issuer.

(5) If a person mentioned in answer to this item is an associate of another person mentioned therein, so state and give details of the relationship.

(6) Wherever the Commission so requires, state the professional experience of that person and, in case of a legal person, of the senior executives.

Item 13:
Promoter

If any person or company is or has been a promoter of the issuer within the five years immediately preceding the date of the annual information form, furnish the following information:

(1) the names of the promoters, the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter directly or indirectly from the issuer;

(2) the nature and amount of any assets, services or other consideration therefor received or to be received from the promoter by the issuer;

(3) as to any assets acquired within the past two years or to be acquired by the issuer from a promoter, state the amount at which acquired or to be acquired and the principle followed or to be followed in determining the amount. Identify the person making the determination and state his relationship, if any, with the issuer or any promoter. State the date that the assets were acquired by the promoter and the cost thereof to the promoter.

Item 14:
Principal Holders of Securities

Furnish the following information as of a specified date within thirty days prior to the date of the annual information form in substantially the tabular form indicated:

(1) The number of securities of each class of voting securities of the issuer and the manager of the issuer owned of record or beneficially, directly or indirectly, by each person or company who owns of record, or is known by such issuer or manager to own beneficially, directly or indirectly, more than 10 % of any class of such securities. Show in Column 5 whether the securities are owned both of record and beneficially, of record only, or beneficially only, and show in Columns 6 and 7 the respective numbers and percentages known by the issuer or manager to be owned in each such manner.

Name and address	Name of company	Issuer or relation-ship there-to	Designa-tion of class	Type of owner-ship	Number of secu-rities owned	Per-cent-age of class
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(2) If any person or company named in answer to paragraph (1) owns of record or beneficially, directly or indirectly, more than 10 % of,

(a) any class of voting securities of the principal distributor or the principal dealer of the issuer or any parent or subsidiary thereof,

(b) any proprietorship interest in the contractual distributor or the principal dealer of the issuer, give the percentage of such securities or the percentage of such proprietorship interest so owned by such person or company.

(3) The percentage of securities of each class of voting securities beneficially owned, directly or indirectly, by all the senior executives or trustees:

(a) of the issuer in the issuer or in a parent or subsidiary thereof;

(b) of the manager of the issuer in such manager or in a parent or subsidiary thereof, in the case of each company as a group, without naming them.

Name of Company	Issuer of relation-ship thereto	Designation of class	Percentage of class
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Instructions

1. Where a company is shown by the issuer as owning directly or indirectly more than 10 % of any class of such securities, the Commission may require the disclosure of such additional information as is necessary to identify any individual who, through his direct or indirect ownership of voting securities in the company owns directly or indirectly more than 10 % of any class of such securities. The name of such an individual should be disclosed in a footnote to the table described in paragraph (1).

2. For the purposes of paragraph (1), securities owned beneficially, directly or indirectly, and of record shall be aggregated in determining whether any person or company owns more than 10 % of the securities of any class.

3. For the purposes of paragraph (1), where no material change has occurred in the information required by such clause since the date of the financial statements included in the prospectus, information may be given as of the date of the financial statements.

4. If voting securities are being offered in connection with, or pursuant to, a plan of acquisition, amalgama-

tion or reorganization, indicate, as far as practicable, the respective holdings of voting securities that will exist after giving effect to the plan.

5. If, to the knowledge of the issuer or the manager, more than 10 % of any class of voting securities of the issuer or if, to the knowledge of the manager of the issuer, more than 10 % of any class of voting securities of such manager are held or are to be held subject to any voting trust or other similar agreement, state the designation of such securities, the number held or to be held and the duration of the agreement. Give the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.

6. If, to the knowledge of the issuer, the parent of the issuer, the manager or the parent of the manager, any person or company named in answer to paragraph (1) is an associate or affiliate of any other person or company named therein, disclose, in so far as known, the material facts of such relationship, including any basis for influence over the issuer enjoyed by the person or company other than the holding of voting securities of the issuer.

Item 15:

Interest of Management and Others in Material Transactions

Describe briefly, and where practicable state the approximate amount of, any material interest direct or indirect, of any of the following persons or companies in any transaction within the three years prior to the date of the annual information form, or in any proposed transaction which has materially affected or will materially affect the issuer:

- (1) the manager of the issuer;
- (2) the contractual distributor of the issuer;
- (3) the principal dealer of the issuer;
- (4) any senior executive or trustee of the issuer or of any company referred to in clauses (1), (2) or (3) hereof;
- (5) any security holder named in answer to paragraph (1) of Item 14; and
- (6) any associate or affiliate of any of the foregoing persons or companies.

Instructions

1. Give a brief description of the material transaction. Include the name and address of each person or company whose interest in any transaction is described and the nature of the relationship by reason of which such interest is required to be described.

2. As to any transaction involving the purchase or sale of assets by or to the issuer otherwise than in the ordinary course of business, state the cost of the assets to the purchaser and the cost thereof to the seller if acquired by the seller within two years prior to the transaction.

3. This Item does not apply to any interest arising from the ownership of securities of the issuer where the security holder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities.

4. No information need be given in answer to this Item as to any transaction or any interest therein, where,

(1) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;

(2) the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction;

(3) the transaction involves services as a bank or other depository of funds, transfer agent, registrar, trustee under a trust indenture or other similar services;

(4) the interest of a specified person or company, including all periodic instalments in the case of any lease or other agreement providing for periodic payments or instalments, does not exceed 50 000 \$;

(5) the transaction does not directly or indirectly, involve remuneration for services, and

(a) the interest of a specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 % of any class of voting securities of another company that is a party to the transaction;

(b) the transaction is in the ordinary course of business of the issuer.

5. Information shall be furnished in answer to this Item with respect to transactions not excluded above that involve remuneration, directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, direct or indirect, of less than 10 % of any class of voting securities of another company furnishing the services to the issuer or its subsidiaries.

Item 16:

Custodian of Portfolio Securities

(1) State the name, principal business address and the nature of the business of each person or company holding portfolio securities of the issuer as custodian and the jurisdiction in which the portfolio securities are

physically situate. The name of the custodian may be omitted if it is a bank to which the Bank Act (S.C. 1980-81-82, chap. C-40) applies, or otherwise with the consent of the Commission.

(2) Give brief details of the contractual arrangement made with the custodian.

Item 17:

Material Contracts

Give particulars of every material contract entered into within the two years prior to the date of the annual information form by the issuer and state a reasonable time and place at which any such contract or copy thereof may be inspected during distribution of the securities being offered.

Instructions

1. Set out a complete list of all material contracts, indicating those which are disclosed elsewhere in the annual information form or in the simplified prospectus and provide particulars with respect to those material contracts about which particulars are not given elsewhere. This item does not require disclosure of contracts entered into in the ordinary course of business of the issuer.

2. Particulars of contracts should include the dates of, parties to, consideration and general nature of the contracts, succinctly described.

3. In the case where the disclosure respecting a contract, without being indispensable to the protection of investors, would risk compromising the benefit derived therefore, the Commission may authorize the omission of its description.

Item 18:

Other material facts

Give particulars of any other material facts relating to the securities proposed to be offered which are not contained in the simplified prospectus.

Item 19:

Certificates

The annual information form must contain the following certificates:

(1) "This annual information form, the financial statements of the fund for the financial period ended _____ and the auditor's report thereon, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus and do not contain any misrepresentation."

This certificate must be signed by the chief executive officer of the issuer or by a person who holds a similar position, by the chief financial officer and by two other persons selected from the directors or trustees and, as the case may be, by the manager.

(2) "To the best of our knowledge, this annual information form, the financial statements of the fund for the financial period ended _____ and the auditor's report thereon, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus and do not contain any misrepresentation."

This certificate must be signed by the underwriter."

105. This regulation is amended by replacing, in Schedule XI, Item 8 by the following:

"Item 8:

Availability of funds

State the exact nature of the arrangements made by the offeror to ensure the availability of the funds needed to pay for the securities tendered, in particular the source of funds, the precise conditions of any agreement relative to the financing of the operation, the safekeeping of funds or a guarantee for the payment of the securities."

106. This regulation is amended by the addition, in Schedule XII, at the end of Item 12 of the following text:

"In particular, give the details of any agreement or plan concerning the indemnification of a senior executive in case of termination of employment or a change of functions following a change of control."

107. This regulation is amended by the addition, in Schedule XII, after Item 14 of the following item:

"Item 14.1:

Valuation

1. Where an appraisal is furnished, provide a summary of it. The summary must include the method of computation, the extent of the examination and the principal hypotheses upon which the appraisal is based. It must also indicate the amount of any benefit due to a holder of securities at completion of the bid.

2. Indicate the place where the appraisal may be examined and state the right of security holders of the class contemplated to obtain a copy of it by paying the cost of reproduction and mailing."

108. This regulation is amended by inserting, in Schedule XIII, after Item 13 the following item:

"Item 13.1:

Valuation

1. Where an appraisal is furnished, provide a summary of it. The summary must include the method of computation, the extent of the examination and the principal hypotheses upon which the appraisal is based. It must also indicate the amount of any benefit due to a holder of securities at completion of the bid.

2. Indicate the place where the appraisal may be examined and state the right of security holders of the class contemplated to obtain a copy of it by paying the cost of reproduction and mailing."

109. This regulation is amended by replacing, in Schedule XIV, Item 8 by the following:

"Item 8:

Availability of funds

State the exact nature of the arrangements made by the offeror to ensure the availability of the funds needed to pay for the securities tendered, in particular the source of funds, the precise conditions of any agreement relative to the financing of the operation, the safekeeping of funds or a guarantee for the payment of the securities."

110. This regulation is amended by inserting, in Schedule XIV, after Item 20 the following item:

"Item 20.1:

Consent to the use of an expert's report

Where the notice of a senior executive mentions, by reason of the standing attached to his profession, the name of a person, such as a lawyer, an auditor, an accountant, an engineer, a geologist or an appraiser, who has drawn up or certified part of the notice or who has made an appraisal or drawn up a report used in preparing the notice, the written consent of that person must be filed with the Commission with the notice, or reproduced in it, in accordance with section 84 of the regulations."

111. This regulation is amended by the addition after Schedule XV of Schedule XVI:

**"SCHEDULE XVI
OFFERING MEMORANDUM (TAX-SHELTER
SECURITIES)**

Item 1:

Distribution spread

The information must be given for all the securities being distributed and be presented in tabular form on the first page of the offering memorandum.

DISTRIBUTION SPREAD

	Price to public	Dealer's remuneration*	Net proceeds from
Per unit			
Total			

* Not applicable where it is a registered dealer. In the case of another person the remuneration is not allowed (Section 48 of the Act).

Any remuneration other than a discount or a commission in cash must be set forth in a note following the table.

Where the securities are to be settled otherwise than in cash, give all the details on the terms and conditions of the settlement.

If the offer is made pursuant to a contractual plan, briefly describe the workings of the plan and give the date it came into operation.

Item 2:

Plan of distribution

1. If all or part of the securities being offered are to be sold through underwriters, give the names of the underwriters. State briefly the nature of the underwriters' obligation to take up and pay for the securities. Indicate the date by which the underwriters are to purchase the securities.

2. Outline briefly the plan of distribution of any securities being offered that are to be offered otherwise than through underwriters. Where there is a »best efforts« offering, indicate, where practicable, on the first page the minimum amount, if any, required to be raised, and also indicate the maximum amount that could be raised and the latest date that the offering is to remain open.

State whether interest will be paid or not on funds reimbursed.

Item 3:

Market for securities

1. Where no market exits or will exist after the distribution, state in bold type on the first page:

"There is no market through which these securities may be sold."

2. Disclose how the distribution price was established, whether by negotiation with the dealer, arbitrarily by the issuer, or otherwise.

Item 4:

Use of net proceeds from distribution

1. Indicate the net proceeds that the issuer expects to obtain from the distribution, the principal uses planned for the money, and the funds assigned for each use.

2. Provide the details of any agreement prescribing that any part of the net proceeds will be kept in trust or will only become available when certain conditions are fulfilled.

Instructions

1. The information concerning use of the net proceeds must be sufficiently precise. In most cases, it is not sufficient to say that "the proceeds of the distribution will be used for general corporate purposes".

For a natural resource company, specify whether unallocated funds will be placed in a trust or escrow account, invested or added to the working capital of the issuer. Give details of the arrangements made for, and the persons responsible for the supervision of the trust or escrow account or the investments of unallocated funds and the investment policy to be followed. Where unallocated funds are to be added to working capital, indicate the reason for doing so.

2. Indicate, in order of priority, the uses that will be made of the proceeds of the distribution in the case where they are less than expected. However, this information is not necessary in the case of a firm underwriting.

3. If large funds must be added to the proceeds of the distribution, indicate those sums and their source. If a material part of the proceeds of the distribution is allocated to retirement of a loan, indicate the use of those funds in the case of loans incurred within the last two years.

4. If a material part of the proceeds of the distribution is used for the acquisition of property, outside the normal course of business of the issuer, briefly describe those properties and provide the details of the price paid or attributed for the different classes of property. Indicate from whom the properties were acquired and how the cost of acquisition was determined.

Describe briefly the title to the property or the rights that the issuer has acquired. Where the consideration for those properties includes securities of the issuer,

provide all the details, including those concerning the attribution or issuance of securities of the same class during the two preceding years.

Item 5:

Details of the distribution

1. Describe the shares being offered, including the following information:

- (1) dividend rights;
- (2) voting rights;
- (3) liquidation or distribution rights;
- (4) pre-emptive rights;
- (5) conversion rights;
- (6) redemption, purchase for cancellation or surrender provisions;
- (7) sinking or purchase funds provisions;
- (8) liability to further calls or to assessment by the issuer; and
- (9) provisions as to modification of any such rights or provisions.

2. If the rights of holders of such shares may be modified otherwise than in accordance with the provisions attaching to such shares or the provisions of the governing Act relating thereto, so state and explain briefly.

3. Where non-voting or limited voting shares (other than preferred shares) are issued, comply with the following provisions:

- (1) the first page of the offering memorandum must state clearly that the shares offered are restricted shares;
- (2) the term "common shares" is reserved to an equity share which has voting rights and which belongs to the only class of shares with voting rights;
- (3) the offering memorandum must describe clearly the rights attached to the securities offered and to any other classes of shares.

4. With respect to securities other than shares and bonds, briefly describe the rights attached thereto.

With respect to shares of a limited partnership, describe the obligations and the rights of the general partners and of the limited partners, the method of financing the partnership and the functions and the basis of remuneration of the general partners.

Item 6:

Name and formation of issuer

State the name of the issuer, the laws under which the issuer was formed and the date of formation, the address of its head office and of its principal office. Set out any material amendments to its constituting documents. In the case of a limited partnership, give the principal clauses of the partnership agreement.

Item 7:

Operations of the issuer

Briefly describe the business carried on or intended to be carried on by the issuer and, as the case may be, by its subsidiaries. Briefly describe the general development of the business sector in which the issuer is engaged or proposes to engage in.

Item 8:

Promoter

If any person is or has been a promoter of the issuer or of any of its subsidiaries within the 5 preceding years, furnish the following information:

(1) the name of the promoter, the nature and amount of any consideration received or to be received from the issuer or any of its subsidiaries;

(2) the nature and amount of any assets, services or other consideration received or to be received by the issuer or its subsidiaries from the promoter;

(3) where any assets have been acquired within the past 2 years or are to be acquired by the issuer or by any of its subsidiaries from a promoter, state the price of acquisition and the principle followed in determining the amount. Identify the person making the determination and state his relationship, if any, with the issuer, any subsidiary or any promoter. Give the date on which the assets were acquired by the promoter and their cost.

Item 9:

Senior executives

List the names and addresses of all senior executives of the issuer and indicate present functions and principal occupations with the issuer held by each of them within the 5 preceding years. Alternatively, solely the place of residence or the postal address may be given, but the Commission may then ask that the address in full be given.

Item 10:

Risk factors

1. Where appropriate, set out the risk factors and speculative nature of the business or the securities being offered on the first page of the offering memorandum. This information may be given in the body of

the offering memorandum if an appropriate reference is made on the first page or in the summary of the offering memorandum.

2. In addition to factors common to an activity sector, a particular factor that may affect the risk appraisal that a prudent investor would make must be mentioned.

3. As the case may be, mention the small likelihood of profit or of resale of the shares purchased.

4. Where there is a risk that a purchaser of the securities offered may become liable to make an additional contribution beyond the price of the security, disclose any information or facts that may bear on the security holder's assessment of risks associated with the investment.

Item 11:

Dilution

1. Set out on the first page, if any, the dilution of the securities offered, based on net tangible assets including the distribution. This information may be given in the body of the prospectus if an appropriate reference is made on the first page. The information must be presented in accordance with the following table.

Dilution per share

Offering price		_____	\$
Net tangible book value before distribution		_____	\$
Increase of net tangible book value attributable to the distribution		_____	\$
Net tangible book value after the distribution		_____	\$
Dilution to subscriber		=====	\$
Percentage of dilution in relation to the offering price		=====	%

2. Give, in the following tabular form, a comparison between the offering price to new investors and the consideration paid by the existing shareholders.

	Shares held		Price or consideration		Average price per share
	Number	%	Amount	%	
Existing shareholders			\$		\$
New shareholders			\$		\$
		100 %	\$	100 %	

Instructions

1. The issuer may omit the information prescribed by this item where it considers such information to be of no value.

2. In the calculation of the net tangible book value after the offering, the remuneration of the underwriter and the cost of distribution are to be deducted.

Item 12:**Legal proceedings**

Briefly describe any legal proceedings material to the issuer to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject.

Instructions

Include the name of the court or agency, the date instituted, the principal parties thereto, the nature of the claim, the amount claimed, if any, whether the proceedings are being contested, and the present status of the proceedings.

Item 13:**Escrowed securities**

1. State in substantially the tabular form indicated, the number of shares of each class of voting securities

of the issuer to the knowledge of the issuer held in escrow.

ESCROWED SECURITIES

Designation of security (per class)	Number of securities held in escrow	Percentage in relation to securities in that class
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2. Also disclose the name of the depository, the conditions governing the release of the shares from escrow and the date, if the latter can be determined.

Instructions

The information is requested as of a specified date within 30 days prior to the date of the offering memorandum.

Item 14:**Auditors, transfer agents and registrars**

1. State the name and address of the auditor.

2. In the case of a share distribution, provide the names of the transfer agent and the registrar of the issuer and indicate the city in which the registers of transfer of each class of shares are kept.

3. Name the city where the registers of transfer of the issuer's securities are kept.

Item 15:

Material contracts

Give particulars of every material contract entered into within the 2 years prior to the date of the offering memorandum by the issuer or any of its subsidiaries; give, in particular, the date of the contract, the name of the parties and a brief description. State the conditions under which any such contract or a copy thereof may be inspected during distribution of the securities being offered.

Instructions

1. Set out a complete list of all material contracts, indicating those which are disclosed elsewhere in the offering memorandum and provide particulars with respect to those material contracts about which particulars are not given elsewhere in the offering memorandum. This item does not require disclosure of contracts entered into in the ordinary course of business.

2. Particulars of contracts need not be disclosed, if the Commission determines that such disclosure or making available would impair the value of the contract and would not be necessary for the protection of investors.

Item 16:

Incorporation within one year

Where a company has not been incorporated for more than one year prior to the date to which the most recent balance sheet contained in the offering memorandum is drawn up, state the amount or estimated amount of preliminary expenses, showing administrative and development expenses separately, including the amount already expended and the estimated future expenditures in each case.

Item 17:

Tax status

1. State in general terms how the income and capital gains of the issuer are taxed.

2. State in general terms the tax consequences to the securities holders of:

- (1) the acquisition of the securities;
- (2) any form of distribution;
- (3) the repurchase of the securities;
- (4) the sale of the securities.

In answering this item, more particularly the Québec Income Tax Act has to be taken into account.

Item 18:

Financial forecasts

When financial forecasts are included in the offering memorandum, they must be prepared in accordance with the policy statements of the Commission and accompanied with the accountant's comments.

Item 19:

Other material facts

Give particulars of any other material facts regarding the distribution.

Item 20:

Civil actions

The offering memorandum must contain the following notice:

"The Securities Act provides purchasers with the right to ask for rescission or, in certain cases, damages following a distribution made with an offering memorandum which contains false or misleading information. However, these remedies must be exercised within the time limit prescribed. One should refer to the applicable provisions and eventually consult a legal adviser."

Item 21:

Warning

The following warning must appear on the first page of the offering memorandum:

"No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered in the present offering memorandum and any representation to the contrary is an offence."

Item 22:

Signatures

"The offering memorandum must be signed by two senior executives of the issuer and by the promoter. It must also be signed by the dealer, if any."

112. This regulation will come into force fifteen days after its publication in the *Gazette officielle du Québec* or on any later date fixed therein.