

Any person having comments to make on the Draft Bylaw is asked to send them in writing, before the expiry of the 45-day period, to Mr. Jean Giroux, Associate Deputy Minister, Energy, ministère de L'Énergie et des Ressources, 5700, 4^e Avenue Ouest, 3^e étage, bureau A-302, Charlesbourg (Québec), G1H 6R1.

LISE BACON,
Minister of Energy and Resources

**Hydro-Québec Bylaw Number 526
modifying Bylaw Number 411
establishing the conditions governing the
supply of electricity, as previously
modified by Bylaws Numbers 439, 475
and 500**

Hydro-Québec Act
(R.S.Q., c. H-5)

1. Hydro-Québec Bylaw Number 411 establishing the conditions governing the supply of electricity, approved by order-in-council number 447-87 of March 25, 1987, as modified by Bylaws Numbers 439, 475 and 500, respectively approved by Bylaws numbers 354-89 of March 8, 1989, 1693-89 of November 1st, 1989 and 1354-90 of September 19, 1990, is again modified, by replacement of sub-paragraph 2 of the first paragraph of Section 86 and section 13 of Appendix B with the followings:

"86. ...

(2) in the case of a contract covering use other than domestic use, where he has paid his bills by the due date during the 48 months following the payment of the deposit or the supplying of the guarantee."

"13. INTEREST RATE APPLICABLE TO DEPOSITS

The rate applied by Banque Nationale du Canada to true guaranteed deposit certificates on April 1st of every year."

2. This Bylaw comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

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Draft Regulation

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

**Securities
— Amendments**

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (R.S.Q., c. R-18.1), and section 335 of the Securities Act (R.S.Q., c. V-1.1), that the Draft Regulation amending the Regulation respecting securities, the text of which appears below, may be made by the Government with or without amendments upon the expiry of a 45-day period following this publication.

Any person having comments to make on the Draft Regulation is asked to send them in writing, before the expiry of the 45-day period, to Mme Louise Robic, Minister for Finance, 12, rue Saint-Louis, 1^{er} étage, Québec (Québec), G1R 5L3, with a copy to the Commission des valeurs mobilières du Québec, C.P. 246, Tour de la Bourse, Montréal, H4Z 1G3.

LOUISE ROBIC,
Minister for Finance

**Regulation amending the Regulation
respecting securities**

The Securities Act
(R.S.Q., c. V-1.1, sections 12, 50, 51, 150, 159, 331)

1. The Regulation respecting securities, adopted by Order in Council 660-83 of March 30, 1983 and amended by the Regulations adopted pursuant to Orders in Council 1758-84 of August 8, 1984, 1263-85 of June 26, 1985, 697-87 of May 6, 1987, 977-88 of June 22, 1988, 1493-89 of September 13, 1989 and 1622-90 of November 21, 1990, is again amended by the addition in section 19 of the following paragraph:

"The Commission may require that the information be brought up-to-date if the receipt for the prospectus has not been given after a delay of more than 90 days after the date of the receipt for the preliminary prospectus."

2. This regulation is amended by inserting, after section 37.2, the following division:

**"DIVISION I.1
DISTRIBUTIONS AT FIXED PRICE SUBJECT TO
VARIATIONS, AT NON-FIXED PRICE OR AT A
PRICE TO BE FIXED**

"37.3 In the case of a distribution of non-convertible debt securities or preferred shares, when some securities remain unsold after all the securities have been offered at the price stipulated in the prospectus, the offering price of the securities may be decreased provided the following conditions are met:

(1) the securities offered are rated by a security evaluation agency recognized by the Commission in one of the categories determined by the Commission, on a provisional basis in the case of the preliminary prospectus and on a definitive basis in the case of the prospectus;

(2) the prospectus contains, on the first page, a notice to the effect that the fixed offering price may be decreased.

37.4 The distribution of non-convertible debt securities or preferred shares can be made on a non-fixed price basis provided the following conditions are met:

(1) the securities offered are rated by a security evaluation agency recognized by the Commission in one of the categories determined by the Commission, on a provisional basis in the case of the preliminary prospectus and on a definitive basis in the case of the prospectus;

(2) the offering is made on a firm underwriting basis;

(3) the proceeds to be received by the issuer from the offering are specified on the first page of the prospectus;

(4) the prospectus mentions that the investor, not being aware of the specific price of the securities, must decide whether or not to exercise his statutory rights of withdrawal without this information;

(5) the prospectus presents the particular information required for this type of offering by Schedule I or IV, as the case may be.

37.5 The prospectus may omit certain information related to the price and to the date of the offering, determined by policy statement, in the case of a distribution for cash:

(1) of securities of an issuer which meets the conditions prescribed by sections 164, 165 or 166 or which

has equity securities listed on a stock exchange recognized for that purpose by the Commission;

(2) of non-convertible debt securities or preferred shares and rated by a security evaluation agency recognized by the Commission in one of the categories determined by the Commission.

Subscription rights may not be distributed under this regime.

37.6 The omitted information pursuant to section 37.5 must be given:

(1) within a delay of five days from the filing of the prospectus, in a prospectus with supplement;

(2) or after that delay, either in an amendment to the prospectus or in a supplement which must be filed within a delay of five days from the filing of an amended prospectus.

37.7 The preliminary prospectus or the prospectus prepared for a distribution pursuant to the regime prescribed in section 37.5 must contain:

(1) the following certificate of the issuer:

"The foregoing, together with the documents incorporated herein by reference and the information deemed to be incorporated herein by reference, will, as of the date of the prospectus with supplement providing the information permitted to be omitted from this prospectus, not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.";

(2) the following certificate signed by the underwriters who, with respect to the securities offered by the prospectus, are in a contractual relationship with the issuer:

"To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference and the information deemed to be incorporated herein by reference, will, as of the date of the prospectus with supplement providing the information to be omitted from this prospectus, not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed."

The provisions of the second and third paragraphs of section 32 apply to the certificates prescribed by this section."

3. This regulation is amended by replacing sections 45 and 46 by the following:

"45. If all or part of the proceeds of the distribution is to be applied to finance the acquisition of a business by a purchase of assets or shares of the business, the prospectus must present:

(1) the financial statements of the business acquired:

(a) the financial statements prescribed by paragraphs 1 to 3 of section 39 and by section 42, for the last three financial years, with the possibility for the issuer to add at the most the statements of the two preceding financial years;

(b) the most recent balance sheet;

(2) a pro forma balance sheet combining the assets and liabilities of the issuer and the business acquired as at the date of the issuer's most recent balance sheet.

46. For the financial year immediately preceding that of the most recent balance sheet of the issuer, the prospectus must present pro forma statements combining:

(1) the income or losses of the business acquired with the income or losses of the issuer;

(2) the changes in financial position of the business acquired with the changes in financial position of the issuer.

The Commission may however permit the presentation of the financial statements prescribed in paragraphs 1 and 2 for the same period as the one used for the presentation of the financial statements prescribed by paragraph 1 of section 45."

4. Sections 62.4, 62.7, 62.8 and 62.10 of this regulation are repealed.

5. Section 69 of this regulation is replaced by the following:

"69. The exemption prescribed by section 66 applies only where the Commission agrees thereto after the receipt of the offering memorandum prescribed by section 68."

6. Section 106 of this regulation is amended by the deletion of the second paragraph.

7. This regulation is amended by the addition after section 106 of the following:

"106.1 In the case of a merger or capital reorganization which is a going private transaction or which,

without being a going private transaction, is made between associates, the following rules apply:

(1) the issuer of the securities to be distributed files with the Commission a valuation of the securities of all the issuers that are a party to the transaction, prepared by an independent valuer;

(2) the valuation report must be available for inspection by shareholders who so desire and, upon request, a copy must be remitted;

(3) the information circular for the solicitation of proxies from shareholders of each concerned issuer must give a summary of the valuation and must disclose any other valuation concerning the issuers that are a party to the transaction, their securities or a significant part of their assets, made during the two years preceding the transaction, whether it had been prepared by an independent valuer or not.

"Going private transaction" means an amalgamation, arrangement, acquisition or other transaction involving an issuer as a consequence of which the interest in his security of the holder of a security carrying the right to participate in the earnings to an unlimited degree or carrying the right to acquire such security may be terminated without the consent of that holder and without the substitution therefor of an interest of equivalent value in a security of the same nature, having equivalent voting rights and issued by that issuer or a successor to the business of that issuer or another issuer that controls the issuer, excluding the acquisition of such securities pursuant to a statutory right of acquisition.

106.2 For the application of the exemption provided by section 51 of the Act, the total cost of subscription or purchase must be at least 250 000 \$ per person."

8. Section 115 of this regulation is replaced by the following:

"115. The following information is required for the purposes of applying the second paragraph of section 12 of the Act and is to be presented in the order hereinafter set forth:

(1) the date planned for the beginning of the distribution;

(2) a brief description of the securities to be distributed, in particular the voting rights, the dividend rights, the conversion rights and the conditions relative to redemption or to a sinking fund;

(3) the number of securities to be distributed, the price and the total value;

(4) a description of the method of distribution together with the name and address of the principal dealer making the distribution when that information is known;

(5) the net proceeds that the issuer will receive, the principal uses of those proceeds and the sums allocated for each of those proceeds;

(6) the name of any security holder selling securities, if any;

(7) the name of the competent authority entitled to issue a receipt or to grant an exemption, as the case may be;

(8) a copy of any information document that will be remitted to subscribers or that will be filed with the competent authority.

In the case of an issuer that meets the conditions prescribed in section 164, 165 or 166, the exemption is available without the need to get the consent of the Commission.”

9. Section 119.3 of this regulation is replaced by the following:

“**119.3** The incorporated mutual fund, the unincorporated mutual fund and the closed-end mutual fund are exempted from the requirement to present in their annual report the information prescribed in Schedule VII.”

10. The English version of this regulation is amended by replacing section 119.6 by the following:

“**119.6** Where a reporting issuer is required under law to mail annual financial statements to security holders prior to 140 days after the financial year end and prepares two documents containing the annual financial statements, the information prescribed in Schedule VII shall be included in at least one of the documents and shall be mailed to security holders and filed with the Commission within 140 days of the issuer's financial year end.”

11. Section 124 of this regulation is amended by the addition of the following paragraph:

“An issuer mentioned in section 80.1 of the Act must advise the Commission in writing of the sending of the semi-annual and annual financial statements.”

12. Section 125 of this regulation is replaced by the following:

“**125.** A reporting issuer and an issuer mentioned in section 80.1 of the Act must file with the Commission, not later than the day following the sending, two copies of any document transmitted to holders of its securities.”

13. Section 163.1 of this regulation is amended:

(1) by replacing, in the first paragraph of the English version, the figure “119” by “159”;

(2) by inserting, before the last paragraph, the following:

“A foreign issuer that is not a SEC registrant is exempted from the information requirements prescribed by section 159.”

14. Paragraph 5 of section 166 of this regulation is replaced by the following:

“(5) the securities to be issued are rated by a security evaluation agency recognized by the Commission in one of the categories determined by the Commission, on a provisional basis in the case of the preliminary prospectus and on a definitive basis in the case of the prospectus.”

15. This regulation is amended by inserting, after section 169.1, the following:

“**169.2** The issuer which is a wholly owned subsidiary of a reporting issuer and which does not have securities outstanding other than the shares held by the parent company or preferred shares is exempted from the obligation to prepare the annual information form prescribed in section 159 and from the obligation to file with the Commission and send to its security holders the annual report prescribed in section 77 of the Act.”

16. The third paragraph of section 187 of this regulation is replaced by the following:

“However, even for the issuer that avails itself of the simplified prospectus system, the circular must present a pro forma combined balance sheet and income statement of the offeror and offeree giving effect to the exchange of securities. These financial statements are as of the date of the most recent quarterly statements and of the most recent audited annual statements of the offeror that are incorporated by reference in the circular and, for the periods then ended, based on the information in the most recent quarterly statements and the most recent audited annual statements of the offeree. They must also show the earnings per share before and after dilution.”

17. Section 202 of this regulation is replaced by the following:

"202. The representative of a securities dealer or adviser must cease his activity in the following cases:

(1) he ceases to represent the securities dealer or adviser that he said he represented at the time of registration;

(2) the securities dealer or adviser that he represents has had his registration suspended or cancelled.

He may resume his activity when another dealer or adviser informs the Commission that it has engaged him as a representative or when the suspension against the dealer or adviser has been lifted.

However, the representative of a dealer with a restricted practice who moves to a dealer with an unrestricted practice or to a dealer with a restricted practice of another category may resume his activity only with a decision from the Commission, once it has verified if the representative has an adequate professional training.

The Commission may however automatically cancel the registration of the representative when he has ceased his activity for more than six months."

18. Section 228 of this regulation is amended by inserting, after paragraph (2), the following:

"(2.1) the appointment of an officer responsible for the principal establishment in Québec, in accordance with section 203;"

19. Section 237.1 of this regulation is amended by replacing the second paragraph by the following:

"This prohibition does not apply to recommendations made in a circular, pamphlet or similar publication that is published or distributed by the registrant with regularity in the ordinary course of its business, provided that the publication includes in a conspicuous position, in type of a size at least equivalent to that of the rest of the text, a complete statement of the relationship or connection between the dealer or adviser and the issuer."

20. Section 250 of this regulation is amended by the addition of the following paragraphs:

"However, in the course of a distribution with a variable price, it is prohibited for the firm underwriter, for any other dealer, involved in the distribution and for any person acting jointly or in concert with any of

them, to over-allot or effect transactions which are intended to stabilize or maintain the market price of the securities being distributed.

In the case of a secondary distribution through solicitation, the same prohibition applies with respect to the securities involved."

21. This regulation is amended by inserting, after section 250, the following:

"250.1 During a distribution of securities by means of a prospectus, it is prohibited for the issuer, for any person affiliated with the issuer or the underwriter or acting in concert with the issuer, the underwriter or a person affiliated with one of them, to purchase or to bid for securities that are the object of the distribution or any other security immediately exchangeable or convertible into such securities.

However, this prohibition does not apply in the following two cases:

(1) it concerns a distribution of non-convertible debt securities or preferred shares that have been rated by a security evaluation agency recognized by the Commission, on a provisional basis in the case of the preliminary prospectus and on a definitive basis in the case of the prospectus;

(2) an affiliate that meets the following three conditions:

(a) the affiliate is a separate and distinct organizational entity from any entity involved in the distribution, with no common officers or employees other than the officers who are not actively involved in the management of securities underwriting, trading or sales activities or investment analysis, advisory or management activities and other than employees solely engaged in clerical, ministerial or administrative activities;

(b) the affiliate has employee compensation arrangements independent from those of the entities involved in the distribution;

(c) the purchases or the bids are made by the affiliate in the ordinary course of its business and are not made jointly or in concert with any entity involved in the distribution."

22. Section 251 of this regulation is amended by replacing "of section 250" by "sections 250 and 250.1".

23. Sections 267 to 271 of this regulation are replaced by the following:

"**267.** The following fees are payable by a person who intends to distribute securities:

(1) at the time of filing a draft prospectus, a preliminary prospectus or a preliminary shelf prospectus in order to get a receipt in accordance with section 11, 12, 20 or 24.1 of the Act, 1 000 \$ per issuer and, as the case may be, for the group of holders distributing securities;

(2) at the time of filing a shelf prospectus in its final form, 5 000 \$;

(3) at the time of filing a prospectus in its final form or a price fixing supplement to a shelf prospectus, a lump sum payment corresponding to the amount exceeding the following sums on the fees paid pursuant to paragraphs 1 and 2:

(a) where the distribution takes place only in Québec, 0,04 % of the gross value of the issue;

(b) where the distribution takes place in Québec and elsewhere, 0,04 % of 25 % of the gross value of the issue;

(4) at the time of filing a draft offering memorandum prescribed by section 47 or 48 of the Act or by section 66, 500 \$, and, at the time of filing the offering memorandum in its final form, a payment corresponding to the surplus over 500 \$ of the following sums:

(a) where the distribution takes place only in Québec, 0,04 % of the gross value of the issue;

(b) where the distribution takes place in Québec and elsewhere, 0,04 % of 25 % of the gross value of the issue;

(5) at the time of filing the information prescribed by regulation for the application of section 50 of the Act, 500 \$;

(6) at the time of filing the information prescribed by regulation for the application of section 52 of the Act, 500 \$, and at the time of filing the report prescribed by section 114, a payment corresponding to the surplus over 500 \$ of 0,04 % of the gross value of the securities distributed in Québec;

(7) at the time of filing the notice prescribed by section 46 or 51 of the Act, 0,02 % of the gross value of the securities distributed in Québec, subject to a minimum of 500 \$;

(8) at the time of filing an amendment to a prospectus or an offering memorandum, 250 \$ and, where there is an increase in the number or value of the securities to be distributed, a payment corresponding to the surplus over 250 \$ of the following sums:

(a) where the distribution takes place only in Québec, 0,04 % of the gross value of the issue;

(b) where the distribution takes place in Québec and elsewhere, 0,04 % of 25 % of the gross value of the issue;

(9) at the time of filing a geological report, 300 \$;

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

However, in the case of the distribution of exchange, conversion or subscription rights prescribed by paragraph 1 of section 52 of the Act, only a 500 \$ fee is exigible.

If the funds to be raised in the course of a distribution allow for a minimum and a maximum, the fees required at the time of filing the prospectus in its final version, the offering memorandum or an amendment to the prospectus or the offering memorandum must be calculated on the maximum.

267.1 As a departure from the requirements of paragraph 2 of section 267, in the case of a continuous distribution, the fee to be paid at the time of filing the prospectus in its final form is equal to the amount exceeding the following sums over 1 000 \$:

(1) where the distribution takes place only in Québec, 0,03 % of the gross value of the securities distributed during the last financial year;

(2) where the distribution takes place in Québec and elsewhere, 0,03 % of 25 % of the gross value of the securities distributed during the last financial year.

However, in the case of a money market fund, the calculation of the fees is made pursuant to the net distribution, that is the purchases less the redemptions.

267.2 Where the distribution contemplated in the prospectus or the offering memorandum does not take place, the issuer may request, in the year following the filing of that prospectus or offering memorandum, a refund of any fee in excess of 2 000 \$ or 1 000 \$ respectively. The refund is without application in the case of a continuous distribution.

267.3 The fees payable under paragraphs 1 and 2 of section 267 with respect to the issuing by a savings and credit union of permanent shares referred to in section 73 of the Savings and Credit Unions Act (1988, c. 64) shall be determined on the following basis:

(1) placements of permanent shares are deemed to constitute a single placement if carried out simultaneously by savings and credit unions affiliated with a federation belonging to a confederation;

(2) the confederation is deemed to be the person intending to carry out the placement of the aggregate value of the shares placed simultaneously by those savings and credit unions.

267.4 In the case of an incorporated or unincorporated mutual fund which invests all its assets in another incorporated or unincorporated mutual fund of the same group, the fees are payable only on the gross value of the securities distributed in Québec by the first incorporated or unincorporated mutual fund.

In the case of a mining exploration limited partnership where the prospectus provides for the transfer of the shares acquired from the participating companies to an incorporated or unincorporated mutual fund, the fees are payable only on the gross value of the securities distributed by the limited partnership in accordance with the provisions of paragraph 2 of section 267.

268. The following fees are payable by an issuer:

(1) at the time of filing the annual report by the issuer which satisfies the conditions prescribed in section 164, 165 or 166:

(a) if filed within the prescribed period, 2 500 \$;

(b) if filed after the prescribed period, 2 700 \$;

(2) at the time of filing the annual report by an issuer other than the issuer mentioned in paragraph 1, but one which has a security listed on a Canadian stock exchange:

(a) if filed within the prescribed period, 1 500 \$;

(b) if filed after the prescribed period, 1 700 \$;

(3) at the time of filing the annual report by the issuer mentioned in paragraph 1 or 2, but which is required to file the annual information form prescribed in section 159:

(a) if filed within the prescribed period, 750 \$;

(b) if filed after the prescribed period, 950 \$;

(4) at the time of filing the annual report by an incorporated and an unincorporated mutual fund:

(a) if filed within the prescribed period, 500 \$;

(b) if filed after the prescribed period, 700 \$;

(5) at the time of filing the annual report by the issuer which is exempted pursuant to section 163 to file the annual information form prescribed in section 159:

(a) if filed within the prescribed period, 500 \$;

(b) if filed after the prescribed period, 700 \$;

(6) at the time of filing annual financial statements by an issuer not mentioned in paragraphs 1 to 5:

(a) if filed within the prescribed period, 500 \$;

(b) if filed after the prescribed period, 700 \$;

(7) at the time of filing the quarterly financial statements prescribed by section 76 of the Act if filed after the prescribed period, 100 \$;

(8) at the time of filing, by a person who becomes an insider of a reporting issuer, the report prescribed by section 96 of the Act, 100 \$;

(9) at the time of filing an application prescribed by section 69 of the Act to revoke the issuer's status as a reporting issuer or to release the issuer from all or part of its continuous disclosure obligations, 200 \$;

(10) at the time of filing an application prescribed by section 79 of the Act to exempt it from presenting in the financial statements any information that should normally be made there, 300 \$.

269. The following fees are payable by the offeror in a take-over or issuer bid:

(1) (a) at the time of filing the bid and the take-over or issuer bid circular prescribed by section 128 of the Act, 1 500 \$;

(b) at the latest 30 days after the expiry of the bid, a payment of:

i. where the bid was made only in Québec, 0,04 % of the gross value of the securities acquired,

ii. where the bid was made in Québec and elsewhere, 0,04 % of 25 % of the gross value of the securities acquired,

after deducting the fee prescribed in subparagraph (a); however in the case of a bid comprising an exchange of securities, the fee is based on the value of the securities given in exchange;

(2) at the time of filing the documents prescribed in subparagraph (3) of section 121 of the Act, 100 \$;

(3) at the time of filing the notice prescribed by section 130 or 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, 250 \$.

270. The following fees are payable by a dealer, an adviser or a representative:

(1) at the time of an application for registration as a dealer or as an adviser, 1 500 \$, except in the case of an independent trader where the fee is 100 \$;

(2) at the time of an application for registration as a representative:

(a) of a dealer which is a member of a self-regulatory organization to which the Commission has delegated the provisions concerning the registration of representatives, 100 \$;

(b) of a dealer which is not a member of such a self-regulatory organization or of an adviser, 300 \$;

(3) the first day of the fourth month following the end of the financial year of a dealer with an unrestricted practice or of a discount broker:

(a) 0,14 % of the capital employed in the province, subject to a minimum of 1 500 \$;

(b) 250 \$ for each representative registered at the end of the financial year excluding the representatives whose rights granted by registration are suspended;

(4) the first day of the fourth month following the end of the financial year of a dealer with a restricted practice with the exception of a discount broker:

(a) 1 500 \$;

(b) 300 \$ for each representative registered at the end of the financial year excluding the representatives whose rights granted by registration are suspended;

(5) the first day of the fourth month following the end of the financial year of a securities adviser:

(a) 1 500 \$;

(b) 300 \$ for each representative registered at the end of the financial year excluding the representatives whose rights granted by registration are suspended;

(6) at the time of filing a notice prescribed by paragraphs 1 and 2 of section 228 concerning the approval of an officer or a director, 50 \$ when the officer or director is already registered as a representative, 100 \$ in other cases;

(7) at the time of filing a notice prescribed by paragraphs 4, 5 and 7 of section 228 relating to a change in the disclosure made at the time of registration, 200 \$;

(8) at the time of the resumption of his activity by a representative of a dealer or adviser pursuant to section 202, 50 \$;

(9) at the occasion of an inspection, within 30 days of the date of the invoice, 350 \$ per day per inspector.

However, in the case of a representative of a member of a self-regulatory organization to which the Commission has delegated the application of the provisions concerning the registration of representatives, the fee prescribed by paragraph 3 is 175 \$ for each representative.

In the case of an independent trader, the annual fee is 100 \$, payable before April 30.

For the purpose of calculating the fee prescribed by paragraph 3, the capital employed in the province is calculated in accordance with the following formula:

$$\text{total capital} \times \frac{\frac{\text{salaries and wages paid in the province}}{\text{total salaries and wages}} + \frac{\text{revenue earned in the province}}{\text{total revenue earned}}}{2}$$

The total capital represents the aggregate of the amounts shown in lines 16 (deferred income taxes), 18 (subordinated loans), 19 (capital), 20 (retained earnings) and 21 (reserves) of Statement B of Policy Statement NO. Q - 9.

270.1 The following fees are payable on each security transaction realized in Québec by a registered dealer acting as principal or as agent:

(1) 0,50 \$, where the value of the securities being traded is greater than 5 000 \$, without exceeding 25 000 \$;

(2) 1,00 \$, where the value of the securities being traded is greater than 25 000 \$, without exceeding 100 000 \$;

(3) 3,00 \$, where the value of the securities being traded is greater than 100 000 \$.

In the case of a transaction on an option, the fee is computed on the premium paid or received for the opening or closing purchase or sale of the option, as applicable, and, in the event of its exercise, the exercise price of the option.

A transaction is considered as realized in Québec in one or the other following cases:

(1) the person for the benefit of whom the transaction is made resides in Québec;

(2) in the case of order given by a person residing outside Québec, the representative of the dealer to whom the person has given his order works in an office situated in Québec.

The fees collected by a registered dealer must be separately accounted for until they are remitted to the Commission.

The monies accumulated in the account must be remitted to the Commission within a delay of 30 days after March 31, June 30, September 30 and December 31 of each year. However, interests earned in the account may be kept by the dealer.

The monies accumulated in the account must however be remitted to the Commission within a delay of 30 days from:

(1) the end of all activities in Québec;

(2) the suspension or the cancellation of the registration.

270.2 By derogation from section 270.1, no fee is payable on the following transactions:

(1) the subscription of a security distributed pursuant to a prospectus or under a prospectus exemption;

(2) a transaction made on a security mentioned in section 3 of the Act;

(3) a transaction made by a market maker in conformity with the rules of the Montréal Exchange;

(4) a transaction made pursuant to a take-over bid or an issuer bid.

271. The following fees are payable by the person making an application:

(1) at the time of an application for an exemption from a requirement prescribed by the Act, the Regulation or a policy statement, 300 \$, except in the case of an application for an exemption from the requirement prescribed by section 145 of the Act, giving rise to a hearing, where the fee is 2 000 \$;

(2) at the time of an application, to regularize a previous issue of securities, prescribed by section 338.1 of the Act, 250 \$;

(3) at the time of an application for the certificate prescribed by section 71 of the Act respecting the position of a reporting issuer, 250 \$;

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

(5) at the time of a request for a copy of a document, 0,50 \$ a page."

24. Section 296 of this regulation is replaced 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 in the case of the first and third quarters and from the obligations prescribed by section 77 of the Act to file with the Commission and to send its security holders the information prescribed by section 119 or 119.4 inasmuch as its securities are not traded on an organized market. These issuers are also exempted from the obligation to file the annual information form prescribed by section 159.

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

25. Schedule I of this regulation is amended by replacing the first paragraph of Item 1 by the following:

"1. The information concerning the distribution spread shall be given as to all securities being offered

for cash, except in the case of offerings of non-convertible debt securities or non-convertible preferred shares at a variable price, and are presented in tabular form on the first page of the prospectus.

	Price to public	Dealer's remuneration	Proceeds from distribution*
Per unit			
Total			

* Before deducting expenses of issue estimated at ___ \$.

2. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares, offered at a variable price, give, instead of the above table, the following information on the first page:

(1) the method used to determine the offering price;

(2) where the offering price is to be determined by reference to prevailing prices of a specified security in a specified market, this price at the latest practicable date;

(3) the discount allowed or the commission payable in cash to the firm underwriters and any other compensation payable to the firm underwriters, with reference to the fact that the firm underwriters' compensation will be increased or decreased by the amount by which the aggregate price paid for the securities by the purchasers exceeds or is less than the aggregate proceeds paid by the firm underwriters to the issuer;

(4) the proceeds to be received by the issuer.

3. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a fixed price, disclose on the front page of the prospectus, if applicable, that the offering price may be decreased if there remain unsold securities after all the securities have been offered at the price stipulated in the prospectus."

26. Schedule I of this regulation is amended by the addition in Item 2 of the following paragraphs:

"4. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares that may be offered at a price lower than the price stipulated in the prospectus, disclose that the offering price may be decreased if there remain unsold securities after all the securities have been offered at the price stipulated in the prospectus or at an already decreased price.

5. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a variable price, give the following information:

(1) the discount allowed to the firm underwriters or the commission payable to the firm underwriters;

(2) any other compensation payable to the firm underwriters and reference to the fact that the firm underwriters' compensation will be increased or decreased depending upon whether the aggregate price paid for the securities by the purchasers will exceed or will be less than the aggregate proceeds paid to the issuer by the firm underwriters;

(3) whether the securities are to be offered at a price to be determined by reference to prevailing prices of a specified security in a specified market or at a price to be negotiated between the firm underwriters and the purchasers, which price may vary as between purchasers and during the period of the subscription;

(4) where the price of the securities is to be determined by reference to the prevailing prices of a specified security in a specified market, the price of the specified security at the latest practicable date;

(5) the prohibition for the issuer, the firm underwriters and the dealers involved in the distribution together with the associates and affiliates of any of them and any person or company acting jointly or in concert with any of them, in connection with the offering, to over-allot or effect transactions which are intended to stabilize or maintain the market price of the securities."

27. Schedule I of this regulation is amended by the addition, at the end of Item 14, of the following paragraph:

"In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a variable price, give the ranking of the securities to be distributed both as to earnings entitlement and distribution of assets."

28. Schedule IV of this regulation is amended by replacing Item 1 by the following:

**"ITEM 1:
DISTRIBUTION SPREAD**

1. The information concerning the distribution spread shall be given as to all securities being offered for cash, except in the case of offerings of non-convertible debt securities or non-convertible preferred shares at a variable price, and are presented in tabular form on the first page of the simplified prospectus.

	Price to public	Dealer's remuneration	Proceeds from distribution*
Per unit			
Total			

* Before deducting expenses of issue estimated at — \$.

2. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares, offered at a variable price, give, instead of the above table, the following information on the first page:

(1) the method used to determine the offering price;

(2) where the offering price is to be determined by reference to prevailing prices of a specified security in a specified market, this price at the latest practicable date;

(3) the discount allowed or the commission payable in cash to the firm underwriters and any other compensation payable to the firm underwriters, with reference to the fact that the firm underwriters' compensation will be increased or decreased by the amount by which the aggregate price paid for the securities by the purchasers exceeds or is less than the aggregate proceeds paid by the firm underwriters to the issuer;

(4) the proceeds to be received by the issuer.

3. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a fixed price, disclose on the front page of the simplified prospectus, if applicable, that the offering price may be decreased if there remain unsold securities after all the securities have been offered at the price stipulated in the simplified prospectus."

29. Schedule IV of this regulation is amended by the addition in Item 6 of the following paragraphs:

"4. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares that may be offered at a price lower than the price stipulated in the simplified prospectus, disclose that the offering price may be decreased if there remain unsold securities after all the securities have been offered at the price stipulated in the simplified prospectus or at an already decreased price.

5. In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a variable price, give the following information:

(1) the discount allowed to the firm underwriters or the commission payable to the firm underwriters;

(2) any other compensation payable to the firm underwriters and reference to the fact that the firm underwriters' compensation will be increased or decreased depending upon whether the aggregate price paid for the securities by the purchasers will exceed or will be less than the aggregate proceeds paid to the issuer by the firm underwriters;

(3) whether the securities are to be offered at a price to be determined by reference to prevailing prices of a specified security in a specified market or at a price to be negotiated between the firm underwriters and the purchasers, which price may vary as between purchasers and during the period of the subscription;

(4) where the price of the securities is to be determined by reference to the prevailing prices of a specified security in a specified market, the price of the specified security at the latest practicable date;

(5) the prohibition for the issuer, the firm underwriters and the dealers involved in the distribution together with the associates and affiliates of any of them and any person or company acting jointly or in concert with any of them, in connection with the offering, to over-allot or effect transactions which are intended to stabilize or maintain the market price of the securities."

30. Schedule IV of this regulation is amended by the addition, at the end of Item 8, of the following paragraph:

"In the case of a distribution of non-convertible debt securities or non-convertible preferred shares at a variable price, give the ranking of the securities to be distributed both as to earnings entitlement and distribution of assets."

31. Schedule V of this regulation is replaced by the following:

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

**ITEM 1:
STATEMENT ON THE FIRST PAGE OR ON THE
COVER**

The simplified prospectus must contain, on the first page or on the cover page, the statement prescribed by section 65.

**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 documents filed with securities regulatory authorities in each province or territory of Canada where the issuer's securities are offered, which documents, when filed, collectively are known as the issuer's permanent information record.

Securities laws in Canada provide certain rights for security holders which are described in this simplified prospectus. These rights are based in part on the disclosure made 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 may only receive this simplified prospectus and the financial statements which are required to accompany it.

The documents currently in the permanent information record may be obtained by you by writing to the issuer at the following address: _____, or (if applicable) through a dealer."

**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 nature of the issuer's activities 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. State the description or the designation of the class of securities offered by the simplified prospectus and describe all material attributes and characteristics including, without limiting the generality of the foregoing, the following information:

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

2. If the rights of security holders may be modified otherwise than in accordance with the provisions attaching to such securities 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. If desired, the provisions attaching to the securities may be filed with the respective Canadian securities authorities as part of the issuer's permanent information record.

2. If the rights attaching to the securities 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 securities 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, the time when the price becomes effective and how long it remains in effect.

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 investors who desire to purchase securities or to redeem securities, including particulars relating to any special arrangements which may exist and any penalty for early redemption. State, where applicable, any redemption charge expressed as a percentage of the redemption price. Where redemption charges vary on any basis, give particulars of the same.

4. Where applicable, disclose the obligation of:

(1) the issuer to cancel a purchase order placed by an investor who, after placing the purchase order, fails to make payment of the issue price thus causing the securities allotted pursuant to such purchase order to be redeemed;

(2) the investor to pay any difference if the redemption price is less than the issue price of such securities.

5. Where applicable, disclose the obligation of:

(1) the issuer to cancel a redemption order placed by an investor who, after requesting redemption, fails to deliver all documentation required to complete the redemption and to repurchase an equal number of the mutual fund securities that were redeemed;

(2) the investor to pay any difference if the repurchase price exceeds the redemption price.

6. Describe briefly any right or requirement to reinvest the proceeds of dividends or other distributions in the issuer's securities.

7. Include a statement referring the purchaser to the annual information form for a more detailed statement of the information required by this item.

Instructions

As used in this item and in Items 8 and 10, the term "special arrangement" includes a periodic accumulation plan, an open account plan, a contractual plan, a withdrawal plan, a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, an exchange or transfer privilege and any other type of arrangement respecting the acquisition or disposition of securities of the issuer.

**ITEM 8:
METHOD OF DISTRIBUTION**

Outline briefly the method of distribution of the securities being offered. If sales are to be effected through a principal distributor, give brief details of any arrangements with the principal distributor.

Instructions

1. If the securities are being offered by way of a special arrangement, give the main particulars of the special arrangement, including, where applicable, particulars of:

(1) any minimum initial investment;

(2) any subsequent minimum investment;

(3) any sales charge deductions from such minimum investments;

(4) the sales charges expressed as a percentage of the amount paid by the purchaser and expressed as a percentage of the net amount invested in securities of the issuer, provided that in making this calculation, insurance premiums and the fees payable to a trustee of a registered retirement savings plan or of a registered retirement income fund or of a registered education

savings plan may be excluded in determining the amount of the sales charge;

(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 special arrangement and its continuing administration and maintenance.

3. Where there are any special withdrawal rights that are applicable to a special arrangement, include a statement referring the purchaser to the annual information form for particulars thereof.

4. The term "special arrangement" as used in this item has the same meaning as ascribed to such term in Item 7.

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 coordinated 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) the management of the issuer other than management of the investment portfolio;

(2) the management of the investment portfolio;

(3) providing investment analysis;

(4) providing investment recommendations;

(5) making investment decisions;

(6) purchasing and selling the investment portfolio and making the brokerage arrangements relating thereto;

(7) the 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 any situation of conflict of interest or potential conflict of interest for 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 the distribution of securities, the name and address of only the principal 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 AND OTHER EXPENSES

1. Indicate:

(1) what fees and other charges and expenses are charged to the issuer and the basis for the calculation of the same;

(2) what fees and other charges and expenses are borne by the manager of the issuer;

(3) what fees and other charges and expenses, if any, are charged directly to all security holders generally, or to any security holder who participates in a special arrangement, and the basis of the calculation of the same.

2. All fees and other charges and expenses which are charged directly to security holders shall be summarized in tabular form under the heading "Summary of Fees, Charges and Expenses Payable by the Security Holder" or such variation thereof as is acceptable to the Commission. The table shall be substantially in the form of the table set out in Appendix 1 to this Schedule or such variation thereof as is acceptable to the Commission. Reference to this table shall be made on the outside cover page or on the first facing page of the simplified prospectus.

3. 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.

4. Set out in tabular form in the simplified prospectus or by way of note to the financial statements, a record of the management expense ratio for each of the

last five completed financial years of the issuer with a brief description of the method of calculating the management expense ratio.

Instructions

1. Where the basis of the calculation of the management fees or of the other fees or expenses that are charged to the issuer is changed or is proposed to be changed and where such change would have had an effect on the management expense ratio for the last completed financial year of the mutual fund if the change had been in effect throughout that year, the effect of such change should be disclosed.

2. Where any financial period referred to in paragraph 4 above is less than 12 months, the management expense ratio should be shown on an annualized basis, with reference to the period covered and to the fact that the management expense ratio for the period has been annualized.

3. The management expense ratio of an issuer for any financial year shall be calculated by dividing the aggregate of all fees and other expenses paid or payable by the issuer during or in respect of the financial year in question, by the amount of the average net asset value of the issuer for the financial year in question and multiplying the quotient by 100. In the present item:

(1) the expression "the average net asset value of the issuer for a financial year" means: the average of the net asset value determined on each valuation date of the issuer during the financial year;

(2) the expression "all fees and other expenses" means all fees and other expenses paid or payable by the issuer with the exception of commissions and brokerage fees on the purchase and sale of portfolio securities, interest charges (if any) and taxes of all kinds 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 of all other fees and expenses, if any, which have been charged to the issuer, during the period covered by the financial statements.

6. The fees and other charges and expenses, if any, that are charged directly to all security holders generally or to any security holder who participates in a special arrangement and the basis of calculation should be

disclosed separately in a single table, in the form of Appendix 1 of this Schedule, in the body of the simplified prospectus or as a note to the financial statements; those fees are to be excluded in determining the management expense ratio of the issuer.

7. The term "special arrangement" as used in this item has the same meaning as ascribed to such term in Item 7.

ITEM 11: INVESTMENT OBJECTIVES AND PRACTICES

1. State the fundamental investment objectives of the issuer and, where relevant, any fundamental investment policies and practices.

2. Briefly indicate the nature of any security holder or other approval that may be required in order to change any of the fundamental investment objectives and any of the fundamental investment policies and practices of the issuer.

3. Refer the purchaser to the annual information form for information concerning restrictions on investment and on investment policies and practices of the issuer in pursuing its objectives.

4. If the issuer has adopted the standard investment restrictions and practices contained in National Policy No. 39, include a statement to the effect that (i) the issuer has adopted such standard investment restrictions and practices, and (ii) a copy of the standard investment restrictions and practices will be provided by or on behalf of the issuer or by or on behalf of the principal distributor of the issuer to any person requesting the same.

Instructions

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

2. Where the issuer intends to:

(1) invest a specific portion of its assets in Canadian securities or in foreign securities;

(2) invest in foreign securities;

(3) invest a specific portion of its assets in a particular type of security (e.g. bonds, common shares, preferred shares, money market instruments);

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

- (5) invest in property other than securities;
the issuer's policy in this respect must be stated.

3. Where the securities of the issuer are or will be a qualified investment within the meaning of the Income Tax Act (Canada) for retirement savings plans, deferred profit sharing plans or other savings plans registered under the Income Tax Act (Canada) and where the issuer is or will be recognized as a registered investment within the meaning of such Act, the relevant information and the effect of such qualification must be stated together with a statement as to the limitations, if any, imposed by such Act on the portion of such plans which may be invested in the securities of the issuer without subjecting such plans to taxes or penalties under such Act. A statement as to whether the securities of the issuer will or will not be qualified investments for such plans is to be included.

**ITEM 12:
DIVIDENDS OR DISTRIBUTIONS**

Include a statement making reference to the issuer's financial statements for information as to the amount of dividends or other distributions per security paid by the issuer including income allocated to security holders by way of dividend reinvestment or otherwise during the last five completed financial years of the issuer and include such information by way of note to the issuer's financial statements.

Instructions

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

2. Where dividends or other distributions have been paid by way of capitalizing the same (i.e. increasing the value of the securities held by security holders of record), the amount per security of the dividends or other distributions so capitalized shall be referred to by way of note to the issuer's financial statements. As well, any statement in the issuer's simplified prospectus, annual information form or financial statements as to the amount of the net asset value per security as at any date shall be presented in such a manner so as to indicate clearly the portion of the net asset value per security that is represented by dividends or other distributions that were capitalized during the year or period in question and the portion of the net asset value per security that is represented by the changes that occurred in the market value of the assets and liabilities of the issuer during the year or period in question. The inten-

tion of this provision is to avoid any misunderstanding or double counting that may otherwise occur in evaluating the performance of the issuer during the year or period in question.

**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) the redemption of securities;
- (3) the sale of securities;
- (4) any 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 any of its property is the subject.

Instructions

Include the name of the court or agency having jurisdiction, the date on which the suit was instituted, the principal parties thereto, the nature of the claim, the amount claimed, if any. State 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 securities within two business days after receipt of a simplified prospectus and any amendment or within forty-eight hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a special arrangement, 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."

ITEM 18: IDENTIFICATION

Each simplified prospectus shall bear encoding which identifies the date at which it becomes effective.

Instructions

The date need not be written in full. In fact it is preferred that it be shown as for example, "05/30/91" or included in a printer's code together with the quantity printed. The purpose is to identify which version of a simplified prospectus is the subject of a specific receipt.

APPENDIX 1

Summary of Fees, Charges and Expenses Payable by the Security Holder.

The following table contains a summary of the fees, charges and expenses payable directly by security holders.

Type of Charge

Description including amount/rate

Capital Transactions

Amounts payable on:

- (a) acquisition of securities
- (b) exchange/transfer of securities to a related fund
- (c) redemption of securities

Registered Plans¹

Amounts payable in connection with:

- (a) retirement savings plan
- (b) retirement income fund
- (c) education savings plan

Services

Amounts payable with respect to:

- (a) management fees paid directly by security holder
- (b) obtaining certificates
- (c) purchase plans
- (d) withdrawal plans
- (e) other (insert description) – eg. dividend reinvestment charges, courier or wire order charges for special services, charges for dishonoured cheques, etc."

32. Paragraph 2 of Item 11 of Schedule VIII of this regulation is replaced by the following:

"2. Where a reorganization or a recapitalization is involved, give, with regards to the issuer whose securities are issued or offered in exchange, the information and the financial statements prescribed by the regulation for a prospectus. The information circular must present in particular the financial statements prescribed by sections 45 and 46."

¹ Only registered plans which are sponsored by the Fund(s) and which are described in this prospectus are included.

33. Schedule X of this regulation is replaced 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. State the laws under which the issuer was formed and the manner and date of its formation. If material, state whether the issuer's constating documents have been amended. If the issuer's name was changed during the past twelve months, state the issuer's former name.

**ITEM 2:
BUSINESS OF THE ISSUER**

Describe the business of the issuer.

Instructions

1. 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. Indicate briefly the nature and results of any bankruptcy, receivership or similar proceedings or any other material reorganization of the issuer during the period.

2. If during the past two years any affiliate of the issuer has 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 the 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. Give particulars of the entitlement of the purchaser of a special arrangement to a refund of any sales charge incurred if the contractual plan is terminated during the term of such plan.

**ITEM 4:
METHOD OF DISTRIBUTION**

Repeat disclosure required by Item 8 of Schedule V and in addition give the following information:

1. Disclose when during the term of a special arrangement the sales charge will be deducted.

2. Give particulars of any special withdrawal rights that are applicable to a special arrangement.

3. Give particulars of any entitlement, in respect of a special arrangement, to a refund of any sales charge if the special arrangement is terminated during the term thereof.

Instruction

The term "special arrangement" as used in this item has the same meaning as ascribed to such term in Item 7 of Schedule V.

**ITEM 5:
RESPONSIBILITY FOR PRINCIPAL FUNCTIONS**

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

1. Provide the names and addresses in full or, alternatively, solely the municipality of residence or postal address of each person or company referred to in the simplified prospectus who is responsible for the performance of the principal functions described in this item. In addition, where a company is named as being responsible for the performance of any such functions, provide the names in full and addresses as aforesaid in respect of each senior executives of the company.

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 during the period from the end of the last completed financial year to a date within thirty days of the date of the annual information form.

Instructions

1. Where an alternate address is listed, 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 principal distributor need be given. (See Schedule V, Item 9.)

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.

4. In giving information regarding the purchase and sale of the investment portfolio and brokerage arrangements, state:

(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 in such year by the issuer.

5. As used in this Schedule:

(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 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 6:**INVESTMENT OBJECTIVES AND PRACTICES**

Repeat the disclosure required by Item 11 of Schedule V and in addition give the following information:

1. Subject to the provisions contained in Instruction 3, state any restrictions on investments and investment policies and practices of the issuer in pursuing its objectives, with particular reference to the following types of activities:

(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 purchase and sale of real estate;

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

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

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

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

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

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

(11) the purchase or sale of mortgages;

(12) the purchase of securities on margin or selling short;

(13) the investment in securities which are not fully paid;

(14) the investment in illiquid securities or securities whose resale is restricted;

(15) the investment in gold or gold certificates;

(16) the pledging, mortgaging or hypothecating of the issuer's assets;

(17) 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;

(18) the guaranteeing of the securities or the obligations of another issuer;

(19) the purchase of options, rights and warrants;

(20) the writing of covered or uncovered clearing corporation options;

(21) the investment in a security which may require the purchaser to make an additional contribution beyond the price of the security;

(22) the lending of the issuer's portfolio securities.

2. Briefly indicate the nature of any security holder or other approval that may be required in order to change any of the restrictions referred to in paragraph 1.

Instructions

1. For the purpose of clause (6), 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 (14), 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 issuer.

3. Reference should be made to National Policy No. C - 39 for a statement as to the standard investment restrictions and practices that a mutual fund is required to adopt unless the prior approval of the securities authorities has been obtained to permit any variation. If

the issuer has adopted the standard investment restrictions and practices contained in National Policy No. C - 39, it is not necessary to state these in the annual information form provided that:

(1) the annual information form includes a statement to the effect that:

(a) the issuer has adopted the standard investment restrictions and practices;

(b) the standard investment restrictions and practices are deemed to be incorporated in the annual information form;

(c) a copy of the standard investment restrictions and practices will be provided by or on behalf of the issuer or by or on behalf of the principal distributor of the issuer to any person requesting the same;

(2) any investment restrictions or investment practices in addition to the standard investment restrictions and practices that have been adopted by the issuer (including any variations from the standard investment restrictions and practices that have been approved by the securities authorities) are set forth in the annual information form.

ITEM 7: 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 8: 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 9:
LEGAL PROCEEDINGS**

Repeat the disclosure prescribed by Item 14 of Schedule V and in addition make a similar statement as to any such proceedings known to be contemplated.

**ITEM 10:
SENIOR EXECUTIVES AND TRUSTEES**

List the names and home addresses in full or, alternatively, solely the municipality of residence or postal address of all senior executives or 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 or trustee.

Instructions

1. Where the municipality of residence or postal address is listed, 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 issuer, 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 11:
REMUNERATION OF SENIOR EXECUTIVES AND TRUSTEES**

1. Only issuers which directly employ officers must present the information prescribed by Item 22 of Schedule I.

2. Other issuers, the business of which are managed by a management company pursuant to a contractual arrangement, or by a corporate trustee pursuant to the terms of a trust indenture, must report in their annual financial statement:

(1) the aggregate amount of directors' or trustees' fees paid 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 their fulfillment of duties as directors or trustees.

As well, such issuers must confirm in the annual information form that the amounts reported in the finan-

cial statements as paid or reimbursed to directors and trustees constitute the only compensation paid by the issuer to such directors and trustees.

Where any compensation is in non-cash form, the value of the benefit conferred should be stated or, if it is not possible to state the value, the benefit conferred should be described.

**ITEM 12:
INDEBTEDNESS OF SENIOR EXECUTIVES AND TRUSTEES**

In regard to,

(1) each senior executive and trustee of the issuer;

(2) each proposed nominee for election as a director or trustee of the issuer;

(3) each associate or affiliate of any such senior executive, trustee, or proposed nominee,

who is or has been indebted to the issuer or its subsidiaries at any time since the beginning of the last completed financial year of the issuer, state with respect to each such issuer or subsidiary the largest aggregate amount of indebtedness outstanding at any time during the last completed financial year, the nature of the indebtedness and of the transaction in which it was incurred, the amount thereof presently outstanding, and the rate of interest paid or charged thereon, but no disclosure need be made of routine indebtedness.

Instructions

1. State the name and home address in full or, alternatively, solely the municipality of residence or postal address of each person or company whose indebtedness is described.

2. "Routine indebtedness" means:

(1) a loan granted on terms no more favourable than the terms on which loans are made by the issuer to employees generally, but the amount at any time remaining unpaid on loans to anyone senior executive or proposed nominee together with his associates or affiliates shall not exceed 25 000 \$;

(2) a loan granted to a senior executive, provided that he is a full-time employee of the issuer and that the loan was for less than his annual salary and was entirely secured by a mortgage 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 collectability;

(4) a loan arising by reason of purchases made on normal business terms or resulting from advances of travel or entertainment allowances, provided that the terms of repayment are in accord with usual commercial practice.

**ITEM 13:
ASSOCIATED PERSONS**

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

1. If a named person:

(1) is associated with the issuer;

(2) is a director or senior officer of or is associated with any affiliate of the issuer;

(3) is a director or senior officer of or is associated with any company which is associated with the issuer,

so state, and give particulars of the relationship.

2. If the issuer:

(1) is associated with a named person;

(2) is associated with any affiliate of a named company;

(3) is associated with any company which is associated with the named person,

so state, and give particulars of the relationship.

3. If any person associated with the issuer is also associated with a named person, so state, and give particulars of the relationship.

4. If a named person has a contract or arrangement with the issuer, give a brief description of the contract or arrangements, including the basis for determining the remuneration of the named person and give the amount of remuneration paid or payable by the issuer and its subsidiaries to such person during the last completed financial year of the issuer.

5. If a named person is associated with any other named person, so state, and give particulars of the relationship.

6. Where and to the extent required by the Commission, give the business experience of each named person and, in the case of a named company, the directors and officers thereof.

**ITEM 14:
PROMOTER**

If any person 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 name of the promoter, 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 they were acquired or are 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 15:
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 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 relationship thereto	Designation of class	Type of ownership	Number of securities owned	Percentage of class
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2. If any person named in answer to paragraph 1 owns of record or beneficially, directly or indirectly, more than 10 % of,

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

(2) any proprietorship interest in the principal 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.

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

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

(2) 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 or relationship 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, amalgamation 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, 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 named in answer to paragraph 1 is an associate or affiliate of any other person 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 other than the holding of voting securities of the issuer.

ITEM 16: 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 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 principal 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 15;

(6) any associate or affiliate of any of the foregoing persons.

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 who are resident in Canada.

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 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, 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 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 for services in any capacity unless the interest of the person 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 17: 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. The name of the custodian may be omitted if it is a bank to which the Bank Act (S.C., 1980-81-82, c. C-40) applies, or otherwise with the consent of the Commission.

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

ITEM 18: 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. Indicate that in addition to any such contracts, the declaration of trust establishing the mutual fund as well as any management agreement, principal distributorship agreement or copies thereof are available for inspection at such time and place.

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. Particulars of contracts need not be disclosed or copies of such contracts made available for inspection 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 19:
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 20:
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 principal distributor."

34. Item 19 of Schedule XIV of this regulation is replaced by the following:

**"ITEM 19:
FINANCIAL STATEMENTS**

1. If the most recently available interim financial statements have not been delivered to security holders of the issuer, include the interim financial statements. If interim financial statements are not included, include a statement that the most recent interim financial state-

ments will be sent without charge to anyone requesting them.

2. Where interim financial statements are included, include a report of the chief financial officer of the offeree issuer, stating whether in the opinion of the chief financial officer, the financial statements present fairly the financial position of the offeree issuer and the results of its operations for the period under review."

35. This regulation will come into force fifteen days after its publication in the *Gazette officielle du Québec* on a later date to be fixed therein.

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