

ALBERTA SECURITIES COMMISSION

Notice and Request for Comment

Repeal of Alberta Securities Commission Rule 81-501 *Interim Continuous Disclosure and Proxy Solicitation Requirements for Investment Funds* (ASC Rule 81-501), Parts 11 and 12 of the Alberta Securities Commission Rules (General) (ASC Rules) and Forms 27, 28 and 30 in the ASC Rules

September 29, 2006

Introduction

The Alberta Securities Commission (ASC) is publishing this notice and request for comments regarding the intention of the ASC to repeal ASC Rule 81-501, Parts 11 and 12 of the ASC Rules and Forms 27, 28 and 30 in the ASC Rules. ASC Rule 81-501 is attached as Appendix A, Parts 11 and 12 of the ASC Rules are attached as Appendix B and Forms 27, 28 and 30 of the ASC Rules are attached as Appendix C to this notice.

Background

ASC Rule 81-501 is a local Alberta rule which came into force on March 30, 2005, the same date when continuous disclosure and proxy solicitation requirements for investment funds were removed from the Act. ASC Rule 81-501 was established to continue those requirements for investment funds until National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) was fully implemented.

ASC Rule 81-501 expressly states its temporary nature in s.3.1: “This Rule, insofar as it applies to particular types of continuous disclosure or proxy requirements, will cease to apply to an investment fund when that investment fund becomes subject to the requirement of NI 81-106 governing that type of continuous disclosure requirement.”

NI 81-106 came into force on June 1, 2005 and currently applies to all investment funds. Accordingly, the interim rule, ASC Rule 81-501, is no longer being used and the ASC intends to repeal it.

In addition, Part 11 *Continuous Disclosure* (sections 143-162) and Part 12 *Proxies and Proxy Solicitation* (sections 163-169) of the ASC Rules were also intended to be repealed upon the implementation of NI 81-106 and the ASC intends to repeal them.

Finally, ASC Form 27 *Material Change Report Under ASC Rule 81-501*, Form 28 *Annual Filing of Reporting Issuer*, and Form 30 *Information Circular* of the ASC Rules were similarly intended to be repealed upon implementation of NI 81-106 and the ASC also intends to repeal them.

Comments

The comment period expires October 29, 2006. Please direct any questions or comments to:

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Appendix “A”

ASC RULE 81-501

Interim Continuous Disclosure and Proxy Solicitation Requirements for Investment Funds

PART 1 DEFINITIONS

1.1 Definitions - In this Rule:

- (1) “investment fund” means a mutual fund or a non-redeemable investment fund;
- (2) “mutual fund” means
 - (a) any issuer
 - (i) where contributions of security holders are pooled for investment,
 - (ii) where security holders do not have day-to-day control over the management and investment decisions of the issuer, whether or not they have the right to be consulted or to give directions, and
 - (iii) whose securities entitle the security holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the issuer;
- (3) “non-redeemable investment fund” means an issuer,
 - (a) whose primary purpose is to invest money provided by its securityholders,
 - (b) that does not invest
 - (i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
 - (ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
 - (c) that is not a mutual fund;
- (4) “interim requirements” means the continuous disclosure and proxy solicitation requirements set out in the Schedule to this Rule; and

- (5) “NI 81-106” means proposed National Instrument 81-106 *Investment Fund Continuous Disclosure*.

PART 2 CONTINUOUS DISCLOSURE REQUIREMENTS FOR INVESTMENT FUNDS

- 2.1** Investment funds must comply with the interim requirements.

PART 3 EFFECTIVE DATE

- 3.1** This Rule comes into force on March 30, 2005.
- 3.2** This Rule, insofar as it applies to particular types of continuous disclosure or proxy requirements, will cease to apply to an investment fund when that investment fund becomes subject to the requirements of NI 81-106 governing that type of continuous disclosure or proxy requirement.

**SCHEDULE
TO ASC RULE 81-501**

Part 1: Continuous Disclosure

Disclosure of material changes

- 1.1(1)** Subject to subsection (2), where a material change occurs in the affairs of a reporting issuer, the reporting issuer shall, subject to Alberta securities laws,
- (a) promptly issue and file with the Executive Director a news release authorized by a senior officer disclosing the nature and substance of the material change, and
 - (b) prepare and file with the Executive Director a report of the material change within 10 days from the day on which the change occurs.
- (2)** A reporting issuer may, instead of complying with subsection (1), promptly file on a confidential basis with the Executive Director the report of the material change required under subsection (1) together with written reasons for the non-disclosure if
- (a) in the opinion of the reporting issuer, the disclosure required under subsection (1) would be unduly detrimental to the reporting issuer's affairs, or
 - (b) the material change consists of a decision to implement a change made by the senior management of the reporting issuer and the senior management
 - (i) believes that confirmation of that decision by the board of directors of the reporting issuer is probable, and
 - (ii) has no reason to believe that any person with knowledge of the material change has made use of that knowledge in purchasing or selling securities of the reporting issuer.
- (3)** Where a report has been filed with the Executive Director under subsection (2), the reporting issuer shall advise the Executive Director in writing, within 10 days from the day of filing the initial report and within every 10-day period afterwards, that the reporting issuer believes that the report should continue to remain confidential until
- (a) the material change is generally disclosed in the manner referred to in subsection (1), or
 - (b) if the material change consists of a decision of the type referred to in subsection (2)(b), the decision has been rejected by the board of directors of the reporting issuer.

- (4) Notwithstanding subsections (2) and (3), the reporting issuer shall, not later than 180 days from the day that the material change became known to the reporting issuer or within any shorter period of time that may be determined by the Executive Director,
- (a) issue and file with the Executive Director a news release authorized by a senior officer disclosing the nature and substance of the material change, and
 - (b) prepare and file with the Executive Director a report of the material change.

Interim financial statement

- 1.2(1)** Every reporting issuer that is a mutual fund shall file with the Executive Director an interim financial statement within 60 days from the day to which it is made up,
- (a) if the mutual fund has not completed its first financial year, for the period commencing with the beginning of that year and ending 6 months before the day on which that year ends but, if the first financial year is less than 6 months in length, no interim financial statement is required to be filed, or
 - (b) if the mutual fund has completed a financial year, for the 6-month period of the current financial year that commenced immediately following the last financial year, including a comparative statement for the corresponding period in the last financial year.
- (2) A financial statement filed under this section shall be made up as required by Alberta securities laws.

Comparative financial statements

- 1.3(1)** Every reporting issuer shall within 140 days from the end of its last financial year file annually with the Executive Director comparative financial statements relating separately to
- (a) the period that commenced on the date of incorporation or organization and ended as of the close of the first financial year or, if the reporting issuer has completed a financial year, the last financial year, as the case may be, and
 - (b) the period covered by the financial year next preceding the last financial year, if any,
- made up and certified as required by Alberta securities laws.
- (2) Every financial statement referred to in subsection (1) shall be accompanied with a report of the auditor of the reporting issuer prepared in accordance with Alberta securities laws.
- (3) In this section “auditor”, when used in relation to a company, includes the auditor of the company or an independent accountant acceptable to the Executive Director.

Delivery of financial statements

1.4 Every financial statement required to be filed pursuant to section 1.2 or 1.3 shall be concurrently sent by the reporting issuer to each holder of its securities, other than debt instruments, whose latest address as shown on the books of the reporting issuer is in Alberta.

Filing of information circular

1.5(1) If the management of a reporting issuer sends an information circular under section 2.3(1)(a), the reporting issuer shall promptly file a copy of the information circular certified in accordance with Alberta securities laws.

(2) If subsection (1) is not applicable, the reporting issuer shall file annually within 140 days from the end of its last financial year a report prepared and certified in accordance with Alberta securities laws.

Part 2: Proxies and Proxy Solicitations

Definitions

2.1 In this Part,

- (a) “information circular” means an information circular prepared in accordance with Alberta securities laws;
- (b) “solicit” and “solicitation” include
 - (i) any request for a proxy whether or not accompanied with or included in a form of proxy,
 - (ii) any request to execute or not to execute a form of proxy or to revoke a proxy,
 - (iii) the sending or delivery of a form of proxy or other communication to a security holder under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy, or
 - (iv) the sending or delivery of a form of proxy to a security holder under section 2.2,

but do not include

- (v) the sending or delivery of a form of proxy to a security holder in response to an unsolicited request made by the security holder or on the security holder’s behalf, or
- (vi) the performance by any person or company of administrative or professional services on behalf of a person or company soliciting a proxy.

Mandatory solicitations

2.2 If the management of a reporting issuer gives or intends to give to holders of its voting securities notice of a meeting, the management shall, concurrently with or prior to giving that notice to those security holders, send to those security holders

- (a) whose latest addresses as shown on the books of the reporting issuer are in Alberta, and
- (b) who are entitled to notice of the meeting,

a form of proxy that complies with Alberta securities laws for use at the meeting.

Restrictions on solicitation

2.3(1) Subject to subsection (2), no person or company shall solicit proxies from a holder of voting securities of a reporting issuer where the holder's latest address as shown on the books of the reporting issuer is in Alberta unless,

- (a) in the case of a solicitation by or on behalf of the management of a reporting issuer, an information circular either as an appendix to or as a separate document accompanying the notice of the meeting, is sent to each security holder of the reporting issuer whose proxy is solicited at the security holder's latest address as shown on the books of the reporting issuer, or
- (b) in the case of a solicitation other than one referred to in clause (a), the person or company making the solicitation, concurrently with or prior to the solicitation sends an information circular to each security holder whose proxy is solicited.

(2) Subsection (1) does not apply to

- (a) any solicitation, otherwise than by or on behalf of the management of a reporting issuer, if the total number of security holders whose proxies are solicited is not more than 15 persons or companies,
- (b) any solicitation by a person or company made under section 104 of the *Securities Act*, or
- (c) any solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(3) For the purposes of this section, 2 or more persons or companies who are joint registered owners of one or more securities shall be counted as being one security holder.

Voting - proxies

2.4(1) Notwithstanding that the form of proxy of those proxies present at a meeting specifies how a person or company whose proxy is solicited may vote the securities registered in the name of that person or company, the chair of the meeting may, subject to subsection (2), refuse to conduct a vote by way of ballot on a matter or group of matters.

- (2) At a meeting the vote shall be conducted by ballot if
- (a) a poll is demanded by any security holder present in person or represented by proxy at the meeting, or
 - (b) the proxies
 - (i) require that the securities represented by them be voted against what would otherwise be the decision of the meeting in relation to those matters or group of matters being decided, and
 - (ii) represent more than 5% of all the voting rights attached to all the securities entitled to be voted and represented at the meeting.

Appendix “B”

PART 11

CONTINUOUS DISCLOSURE

Report under ASC
Rule 81-501

1(1) Where a report is required to be filed by a reporting issuer under section 1.1(1)(b) of the Schedule to ASC Rule 81-501, the report must

- (a) be prepared in accordance with Form 27, and
- (b) subject to subsection (2), be sent to the Executive Director in an envelope that is marked “Continuous Disclosure”.

(2) If a reporting issuer

- (a) files a report under section 1.1(1)(b) of the Schedule to ASC Rule 81-501 in reliance on
 - (i) section 1.1(2) of the Schedule to ASC Rule 81-501, or
 - (ii) item 7 of Form 27,or
- (b) files, under section 1.1(3) of the Schedule to ASC Rule 81-501 of the Act, the advice in writing required under that provision,

the reporting issuer shall mark the document containing the report or the written advice, as the case may be, “Confidential” and send the document to the Executive Director in an envelope marked “Confidential - Section 1.1 of the Schedule to ASC Rule 81-501”.

Preparation of
financial
statements

2(1) The financial statements permitted or required by the Act or the Rules shall be prepared in accordance with

- (a) generally accepted accounting principles, and
- (b) any applicable provision of the Act or the Rules.

(2) If an auditor reports on a financial statement required by the Act or the Rules, the report shall be prepared in accordance with

- (a) generally accepted auditing standards, and
- (b) any applicable provision of the Act or the Rules.

(3) Repealed (March 30, 2004)

(4) Notwithstanding subsection (1), if a financial statement is not prepared in accordance with generally accepted accounting principles,

- (a) the Executive Director may accept the financial statement for the purposes for which it is to be filed,

- (i) if the Executive Director is satisfied that it is not reasonably practicable for the issuer to revise the presentation in the financial statement to conform to generally accepted accounting principles, or
- (ii) if
 - (A) the Commission by a previous order, has accepted a financial statement of the same issuer with a corresponding variation from generally accepted accounting principles, and
 - (B) the Executive Director is satisfied that there has been no material change in the circumstances on which the decision of the Commission was based,

or

- (b) the Commission
 - (i) may, by order, accept the financial statement after giving interested parties an opportunity for a hearing if the Commission is satisfied, after considering the circumstances of the particular case, that the variation from generally accepted accounting principles is supported or justified by considerations that outweigh the desirability of uniform adherence to generally accepted accounting principles, and
 - (ii) shall, where it decides to accept any financial statements under subclause (i), publish written reasons for the acceptance of those financial statements.

(5) Except where expressly provided otherwise in the Act or in the Rules, each financial statement prepared under a requirement of the Act or the Rules shall include an auditor's report on the statement.

(6) It is not necessary to designate the financial statements referred to in the Act or these Rules as the income statement, statement of retained earnings, statement of surplus, statement of changes in financial position, balance sheet, statement of investment portfolio, statement of portfolio transactions or statement of changes in net assets, if some other designation is more appropriate.

(7) Notwithstanding anything in this Part, it is not necessary to state in a financial statement any matter that, in the circumstances, is of relative insignificance.

Additional matters
to be included in
financial
statements

3 Repealed (March 30, 2004):

Interim financial statements under section 148(1) of the Act

4(1) The interim financial statements required to be filed under section 148(1) of the Act shall include,

- (a) subject to subsection (2), a statement of changes in financial position, and
- (b) an income statement.

(2) Every issuer primarily engaged in the business of investing shall file a statement of changes in net assets for each period in lieu of filing a statement of changes in financial position.

Information to be included re interim financial statements

5 The interim financial statements required to be filed under section 148(1) of the Act

- (a) shall present financial information for the current fiscal year to the date to which the financial statements are prepared, and
- (b) may
 - (i) include as additional information, financial information for the most recent 3 month period to the date to which the financial statements are prepared, and
 - (ii) be comparative for the corresponding 3 month period in the last financial year.

Auditor's report not required

6 The interim financial statement required to be filed under section 1.2(1) of the Schedule to ASC Rule 81-501 need not include an auditor's report.

Interim financial statements under ASC Rule 81-501

7(1) Subject to subsection (2), the interim financial statements required to be filed under section 1.2(1) of the Schedule to ASC Rule 81-501 shall include the following statements prepared for or as at the end of the period as applicable:

- (a) an income statement;
- (b) a statement of investment portfolio;
- (c) a statement of portfolio transactions;
- (d) a statement of changes in net assets.

(2) The interim financial statements required to be filed under section 1.2(1) of the Schedule to ASC Rule 81-501 by a mutual fund that invests exclusively in shares or units of another mutual fund shall include the following statements of the other mutual fund prepared for or as at the end of the period as applicable:

- (a) an income statement;
- (b) a statement of investment portfolio;

- (c) a statement of portfolio transactions;
- (d) a statement of changes in net assets.

Information to be included re interim financial statements of investment funds

8 The interim financial statements required to be filed under section 1.2(1) of the Schedule to ASC Rule 81-501 and under section 149 of these Rules shall

- (a) present the financial information for the current fiscal year to the date to which the financial statements are prepared, and
- (b) except for the statement of investment portfolio and the statement of portfolio transactions, include comparative financial information for the corresponding 6 month period in the last financial year.

Annual financial statements under section 149 of the Act

9(1) The financial statements required to be filed under section 149 of the Act by an issuer that is not a mutual fund shall include the following statements prepared for or as at the end of the period as applicable:

- (a) an income statement;
- (b) a statement of retained earnings;
- (c) subject to subsection (2), a statement of changes in financial position;
- (d) a balance sheet.

(2) Every issuer primarily engaged in the business of investing shall file a statement of changes in net assets for each period in lieu of a statement of changes in financial position.

Financial statements of investment funds under section 149 of the Act

10(1) Subject to subsection (2), the financial statements required to be filed under section 1.3 of the Schedule to ASC Rule 81-501 by an investment fund shall include the following statements prepared for or as at the end of the period as applicable:

- (a) an income statement;
- (b) a balance sheet;
- (c) a statement of investment portfolio;
- (d) a statement of portfolio transactions;
- (e) a statement of changes in net assets.

(2) Every financial statement required to be filed under section 1.3 of the Schedule to ASC Rule 81-501 by an investment fund that invests exclusively in shares or units of another investment fund shall include the following statements of the other investment fund prepared for or as at the end of the period as applicable:

- (a) an income statement;

- (b) a balance sheet;
- (c) a statement of investment portfolio;
- (d) a statement of portfolio transactions;
- (e) a statement of changes in net assets.

(3) The annual financial statements required to be filed under section 1.3 of the Schedule to ASC Rule 81-501 and under subsections (1) and (2) of this section shall, except for the statement of investment portfolio and the statement of portfolio transactions, include comparative financial information for the financial year next preceding the last financial year.

Statement of
portfolio
transactions

11(1) Notwithstanding sections 149 and 152 but subject to subsection (4) of this section, a statement of portfolio transactions may be omitted from any interim or annual financial statements of an investment fund if a copy of the statement that would otherwise be required to be included in it is filed with the Executive Director prior to or concurrently with the filing of the financial statements from which that statement has been omitted.

(2) Notwithstanding section 106 but subject to subsection (4) of this section, a statement of portfolio transactions may be omitted from a prospectus of an investment fund if a copy of the statement that would otherwise be required to be included in it

- (a) is filed with the Executive Director concurrently with the filing of the prospectus, or
- (b) has previously been filed with the Executive Director.

(3) A statement of portfolio transactions filed with the Executive Director under this section need not be reported on by an auditor but shall contain a certificate

- (a) stating that the statement of portfolio transactions presents fairly the required information, and
- (b) that is signed by the chief executive officer and the chief financial officer or by persons temporarily carrying out the responsibilities of either of those officers, as the case may be.

(4) If a statement of portfolio transactions is omitted from interim or annual financial statements under subsection (1) or from a prospectus under subsection (2), the published financial statements or prospectus shall contain a statement indicating that the omitted information relating to the portfolio transactions shall be provided without charge on a request for that information being made to a specified address.

(5) Where a request for the omitted information is made by a person or company under subsection (4), the omitted information

- (a) shall be sent promptly and without charge to that person or company, and

- (b) if so requested, shall, until the person or company terminates or agrees to the termination of the request, be sent routinely to that person or company during the time that the information continues to be omitted from subsequent financial statements or prospectuses.

Financial
statements of an
investment fund

12(1) In this section,

- (a) “management fee” means the total fees paid by the investment fund for portfolio management, investment advice and other services;
- (b) “other expenses” and “other revenue” means the sum of those items of expense or revenue, other than those referred to in subsection (2)(a), (b), (e), (f), (g), (h) and (i), that individually do not exceed 5% of the total expenses or total revenue of the investment fund for the period reported on.

(2) Every income statement of an investment fund shall present fairly the results of the operations of the investment fund for the period covered by the statement and shall show separately at least the following:

- (a) dividend revenue;
- (b) interest revenue;
- (c) every other item of revenue that is 5% or more of total revenue;
- (d) other revenue;
- (e) management fees;
- (f) audit fees;
- (g) directors' fees;
- (h) custodian's fees;
- (i) legal fees;
- (j) salaries, where the amount is 5% or more of total expenses;
- (k) shareholders' or unit-holders' information costs, where the amount is 5% or more of total expenses;
- (l) every other item of expense that is 5% or more of total expenses;
- (m) other expenses;
- (n) income before income tax;
- (o) provision for income tax;

- (p) extraordinary gains, losses and provisions for losses;
- (q) net income for the period;
- (r) net income per share or unit for the period based on the average number of shares or units outstanding during the period;
- (s) net income per share or unit for the immediately preceding period based on the average number of shares or units outstanding during that period.

(3) The notes to an income statement of an investment fund shall include

- (a) the basis for calculating the management fee, and
- (b) the composition of other expenses and other revenue,

and, unless otherwise disclosed in the material of which the income statement forms a part or of which it accompanies, shall include the following:

- (c) the services received by the investment fund in consideration of the management fee;
- (d) the services provided to the investment fund by those to whom salaries were paid;
- (e) if the investment fund has a management company and if salaries of employees of the management company are allocated to the investment fund, the basis of and reasons for that allocation;
- (f) the basis of the tax calculation and an explanation of the tax position of the investment fund;
- (g) if an unusual change in expenses from period to period is not adequately explained by changes in total assets of the investment fund, a description and explanation of the unusual change.

Statement of
changes in net
assets of an
investment fund

13(1) Subject to subsection (2), every statement of changes in net assets of an investment fund shall present fairly the information shown in the statement for the period covered by the statement and shall show separately at least the following:

- (a) net assets at the beginning of the period;
- (b) net investment income or loss;
- (c) aggregate proceeds on sale of portfolio securities, exclusive of short term debt instruments;
- (d) aggregate cost of portfolio securities owned at the beginning of the period;

- (e) aggregate cost of purchases of portfolio securities, exclusive of short term debt instruments;
- (f) aggregate cost of portfolio securities owned at the end of the period;
- (g) aggregate cost of portfolio securities sold;
- (h) realized profit or loss on portfolio securities sold;
- (i) net increase or decrease in short term debt instruments;
- (j) distributions, showing separately the amount out of net investment income and out of realized profits on portfolio securities sold;
- (k) proceeds from securities issued;
- (l) payments for securities redeemed;
- (m) net increase or decrease in unrealized appreciation or depreciation of portfolio securities;
- (n) net assets at the end of the period;
- (o) net asset value per share or unit at the end
 - (i) of the period, and
 - (ii) of each of the 4 immediately preceding periods;
- (p) distribution per share or unit out of net investment income;
- (q) distribution per share or unit out of realized profits on portfolio securities sold.

(2) Items of the nature described in subsection (1)(c), (d), (e), (f), (g), (o), (p) and (q) may be shown by way of a note or schedule to the statement of changes in net assets.

Balance sheet of
an investment fund

14(1) In this section, “other assets” or “other liabilities” means the sum of those classes of assets or liabilities, as the case may be, that as individual classes are less than 5% of the total assets or total liabilities, as the case may be, of the investment fund at the date reported on.

(2) Every balance sheet of an investment fund shall present fairly the financial position of the investment fund as at the date at which it is made up and show separately at least the following:

- (a) cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments;
- (b) dividends and accrued interest receivable;
- (c) accounts receivable in respect of shares or units sold;

- (d) accounts receivable in respect of portfolio securities sold;
- (e) every other class of asset that is 5% or more of total assets;
- (f) other assets;
- (g) investments at market value with a notation of their cost;
- (h) total assets;
- (i) accrued expenses;
- (j) liabilities in respect of portfolio securities purchased;
- (k) liabilities in respect of shares or units redeemed;
- (l) income tax payable;
- (m) every other class of liability that is 5% or more of total liabilities;
- (n) other liabilities;
- (o) total liabilities;
- (p) total net assets and shareholders' or unit holders' equity;
- (q) net asset value per share or unit.

(3) The notes to a balance sheet of an investment fund shall include,

- (a) if the basis of computing the cost of investments is other than average cost, a statement of the basis of computing the cost,
- (b) if an investment fund has outstanding more than 1 class of shares or units ranking equally against its net assets but differing in other respects, a statement of
 - (i) the differences between the classes,
 - (ii) the number of shares or units in each class, and
 - (iii) the number of shares or units in each class that have been issued and are outstanding,

and

- (c) the composition of other assets and other liabilities.

(4) Any of the specified classes of assets or liabilities referred to in subsection (2) that are included as “other assets” or “other liabilities” shall be accompanied by an appropriate explanation made by way of a note to the balance sheet.

Statement of
investment portfolio
of an investment
fund

15(1) Every statement of an investment portfolio of an investment fund shall present fairly the following information as at the date to which it is made up:

- (a) the name of each issuer of securities held;
- (b) the class or designation of each security held;
- (c) the number or aggregate face value of each class or designation of securities held;
- (d) the market value of each class or designation of securities held;
- (e) the cost of each class or designation of securities held and, if the basis of computing cost is other than average cost, a statement of the basis of computing the cost.

(2) Subsection (1) applies to all short term debt instruments held pending the investment of funds but the information referred to in subsection (1) need only be provided in the aggregate with respect to those short term debt instruments that,

- (a) are issued by a financial institution, or
- (b) have achieved an investment rating falling within the highest or next highest categories of every service recognized by the Commission that publishes ratings on the short term debt instruments of the issuer.

(3) The information required by subsection (1)(a), (b) and (c) with respect to securities with an aggregate market value of less than 5% of the total net assets of an investment fund may be omitted from the statement of investment portfolio of an investment fund if

- (a) the securities are included in the aggregate in the statement as “miscellaneous securities”, and
- (b) the information required by subsection (1)(d) and (e) is given in the aggregate for the “miscellaneous securities”.

(4) If information is omitted from a statement of investment portfolio pursuant to subsection (3), the omitted information and the reason for omitting the information shall be included in the next corresponding statement of investment portfolio.

(5) The information required under subsection (1) with respect to securities that are mortgages may be omitted from a statement of investment portfolio if the following information with respect to the mortgages is presented in lieu of that information required under subsection (1):

- (a) the total number of mortgages held;
- (b) the total market value of mortgages held;
- (c) the distribution, by reference to number and market value, of mortgages among mortgages insured under the

National Housing Act (Canada), insured conventional mortgages and uninsured conventional mortgages;

- (d) the distribution, by reference to number, market value, amortized cost and outstanding principal value, of mortgages among groups representing contractual interest rates varying by no more than 1/4 of 1%.

Statement of
portfolio
transactions of an
investment fund

16(1) Every statement of portfolio transactions of an investment fund shall present fairly the following information:

- (a) the name of each issuer of every security purchased or sold during the period reported on;
- (b) the class or designation of every security purchased or sold during the period reported on;
- (c) the number or aggregate face value, by issuer, of securities of each class or designation purchased during the period reported on and the total cost of purchasing securities of each class or designation;
- (d) the number or aggregate face value, by issuer, of securities of each class or designation sold during the period reported on and the consideration for selling securities of each class or designation.

(2) Subsection (1) applies to all short term debt instruments held pending the investment of funds but the information referred to in subsection (1) need only be provided in the aggregate with respect to those short term debt instruments held pending the investment of funds that

- (a) are issued by a financial institution, or
- (b) have achieved an investment rating falling within the highest or next highest categories of every service recognized by the Commission that publishes ratings on the short term debt instruments of the issuer.

(3) Every statement of portfolio transactions shall

- (a) separate debt securities from securities other than debt securities, and
- (b) provide a total for debt securities and a total for other than debt securities.

(4) If information in respect of securities is omitted from a statement of investment portfolio of an investment fund pursuant to section 157(3), information required by this section in respect of those securities may be omitted.

(5) If information is omitted from a statement of portfolio transactions pursuant to subsection (4), the omitted information and the reason for omitting the information shall be included in the next corresponding statement of portfolio transactions.

(6) The information required under subsection (1) with respect to securities that are mortgages may be omitted from a statement of portfolio transactions if the following information with respect to the mortgages is presented in lieu of that information required under subsection (1):

- (a) the total number of mortgages purchased or sold during the period reported on;
- (b) the total cost of mortgages purchased and the total consideration for mortgages sold;
- (c) the distribution, by reference to the number, of mortgages purchased or sold during the period reported on among mortgages insured under the *National Housing Act* (Canada), insured conventional mortgages and uninsured conventional mortgages;
- (d) the distribution, by reference to the number, of mortgages purchased or sold during the period reported on among groups representing contractual interest rates varying by no more than 1/4 of 1%.

(7) Subsection (1) to (6) do not apply to a commodity pool subject to Multilateral Instrument 81-104 *Commodity Pools*.

Additional matters to be included in financial statements of an investment fund

17 If applicable, and if the period or date reported on is a financial year or financial year end, the following additional matters shall be referred to in the financial statements of an investment fund or by way of a note to the financial statements:

- (a) the total commissions paid to dealers in connection with portfolio transactions during the period reported on;
- (b) the total compensation, other than commissions paid to dealers in connection with portfolio transactions, during the period reported on and if
 - (i) the amount disclosed is an estimate, the basis for calculating the compensation, and
 - (ii) the compensation to a dealer for the sale of shares or units in an investment fund includes an allocation of the execution of portfolio transactions to that dealer, the amount of the compensation so allocated.

Approval of financial statements

18(1) Every financial statement required to be filed under section 1.3 of the Schedule to ASC Rule 81-501 shall be approved by the board of directors of the reporting issuer.

(2) The approval referred to in subsection (1) shall be evidenced on the balance sheet by the manual or facsimile signatures of 2 directors or 2 trustees, as the case may be, authorized to signify that approval.

19 Revoked (March 1, 1999)

Annual filing of
reporting issuer

20(1) Every report required to be filed under section 1.5(2) of the Schedule to ASC Rule 81-501 shall be completed in accordance with Form 28.

(2) The information contained in Form 28 shall be clearly presented and the statements made therein shall be divided into groups according to subject matter and the various groups of statements shall be preceded by appropriate headings.

(3) The order of Items set out in Form 28 need not be followed.

(4) Where practicable and appropriate, information required by Form 28 shall be presented in tabular form.

(5) All amounts required by Form 28 shall be stated in figures.

(6) Information required by more than 1 applicable Item in Form 28 need not be repeated.

(7) No statement need be made in response to any Item in Form 28 that is inapplicable and negative answers to any Item may be omitted.

PART 12

PROXIES AND PROXY SOLICITATION

Information circular

21(1) An information circular sent pursuant to section 2.3(1) of the Schedule to ASC Rule 81-501 Act shall contain the information prescribed in Form 30.

(2) The information required by Form 30 shall be given as of a specified date that is not more than 30 days prior to the date on which the information circular is first sent to any of the security holders of the reporting issuer.

(3) The information contained in an information circular shall be clearly presented and the statements made therein shall be divided into groups according to subject matter and the various groups of statements shall be preceded by appropriate headings.

(4) The order of Items set out in Form 30 need not be followed.

(5) If practicable and appropriate, information required by Form 30 shall be presented in tabular form.

(6) All amounts required by Form 30 shall be stated in figures.

(7) Information required by more than 1 applicable Item in Form 30 need not be repeated.

(8) No statement need be made in response to any Item in Form 30 that is inapplicable and negative answers to any Item may be omitted.

(9) Information that is

- (a) not known to the person or company on whose behalf the solicitation is to be made, and
- (b) not reasonably within the power of the person or company to ascertain or procure,

may be omitted if a brief statement is made in the information circular of the circumstances rendering the information unavailable.

(10) There may be omitted from the information circular any information contained in any other information circular, notice of meeting or form of proxy sent to the persons or companies whose proxies were solicited in connection with the same meeting if reference is made to the particular document containing the information.

Proxy

22(1) Every form of proxy sent to a security holder of a reporting issuer that is an investment fund by a person or company soliciting proxies shall disclose in bold-face type that the proxy is solicited

- (a) by or on behalf of the management of the reporting issuer, or
- (b) by or on behalf of a person or company that is not the management of the reporting issuer in which case the name of the person or company shall also be disclosed,

and the proxy shall provide a specifically designated blank space for dating the form of proxy.

(2) If a form of proxy of a reporting issuer that is an investment fund contains a designation of a named person or company as nominee, it shall provide a means whereby the security holder may designate in the form of proxy some other person or company as his nominee.

(3) Every form of proxy of a reporting issuer that is an investment fund shall provide a means for the security holder to specify that the securities registered in his name shall be voted for or against each matter or group of related matters identified

- (a) in the form of proxy,
- (b) in the notice of meeting, or
- (c) in an information circular,

other than the appointment of an auditor and the election of directors.

(4) A proxy of a reporting issuer that is an investment fund may confer discretionary authority with respect to each matter referred to in subsection (3) in respect of which a choice is not so specified if the form of proxy or the information circular states in bold-face type how the securities represented by the proxy will be voted in respect of each matter or group of related matters.

(5) A proxy of a reporting issuer that is an investment fund shall provide a means for the security holder to specify that the securities registered in the name of the security holder shall be voted or withheld

from voting in respect of the appointment of an auditor or the election of directors.

(6) A proxy or an information circular of a reporting issuer that is an investment fund shall state that

- (a) the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the security holder on any ballot that may be called for, and
- (b) if the security holder specifies a choice under subsection (3) or (5), with respect to any matter to be acted on, the securities shall be voted accordingly.

Rights and instructions re proxies and information circulars

23 An information circular or form of proxy of a reporting issuer that is an investment fund shall

- (a) indicate in bold-face type that the security holder has the right to appoint a person or company to represent him at the meeting other than the person or company, if any, designated in the form of proxy, and
- (b) contain instructions as to the manner in which the security holder may exercise the right.

Where discretionary authority may be exercised

24 A proxy of a reporting issuer that is an investment fund may confer discretionary authority with respect to

- (a) amendments or variations to matters identified in the notice of meeting, and
- (b) other matters that may properly come before the meeting,

where

- (c) the person or company by whom or on whose behalf the solicitation is made is not aware at some reasonable time prior to the time the solicitation is made that those amendments, variations or other matters are to be presented for action at the meeting, and
- (d) a specific statement is made in the information circular or in the form of proxy that the proxy is conferring that discretionary authority.

Restrictions on authority to vote

25 No proxy of a reporting issuer that is an investment fund shall confer authority to vote,

- (a) for the election of any person or company as a director of a reporting issuer unless a bona fide proposed nominee for election is named in the information circular, or
- (b) at any meeting other than the meeting specified in the notice of meeting or any adjournment of that meeting.

Filing of
information
circulars, proxies,
etc.

26 Every person or company that sends an information circular or proxy to security holders of a reporting issuer that is an investment fund shall promptly file a copy of the information circular, proxy and all other material sent or delivered by the person or company in connection with the meeting to which the information circular or proxy relates.

Certification of
information circular

27 The certification of every information circular required to be filed under section 1.5 of the Schedule to ASC Rule 81-501 shall be evidenced by the manual or facsimile signature of the officer or director referred to in section 197 of these Rules.

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Appendix “C”

FORM 27

**MATERIAL CHANGE REPORT UNDER ASC RULE 81-501
INTERIM CONTINUOUS DISCLOSURE AND PROXY SOLICITATION
REQUIREMENTS FOR INVESTMENT FUNDS
(ASC RULE 81-501)**

This form is intended as a guideline. A letter or other document may be used if the substantive requirements of this form are complied with. Every report that is filed under section 1.1(1) of the Schedule to ASC Rule 81-501 shall be sent to the Executive Director in an envelope marked “Continuous Disclosure”.

Where this report is filed on a confidential basis, write at the beginning of the report in block capitals “CONFIDENTIAL - Section 1.1(1) of the Schedule to ASC Rule 81-501”.

ITEM 1 Reporting Issuer:

State the full name and address of the principal office in Canada of the reporting issuer.

ITEM 2 Date of Material Change:

ITEM 3 News Release:

State the date and place or places of the news release that was issued pursuant to section 1.1(1) of the Schedule to ASC Rule 81-501.

ITEM 4 Summary of Material Change:

Provide a brief but accurate summary of the nature and substance of the material change.

ITEM 5 Full Description of Material Change:

(1) Supplement the summary required under Item 4 with a disclosure that is sufficiently complete to enable a reader to appreciate the significance of the material change without reference to other material.

(2) Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner.

(3) This description of the significant facts relating to the material change will therefore include some or all of the following:

- (a) dates;
- (b) parties involved;
- (c) terms and conditions;
- (d) descriptions of any assets;
- (e) liabilities or capital affected;
- (f) purpose;
- (g) financial or dollar values;
- (h) reasons for the change;
- (i) a general comment on the probable impact on the reporting issuer or its subsidiaries.

(4) Specific financial forecasts would not normally be required to comply with this form.

(5) The list in subsection (3) merely describes examples of some of the facts that may be significant and is not intended to be all-inclusive or exhaustive of the information required in any particular situation.

INSTRUCTION:

When considering subsections (2) and (3) also refer to Item 7.

ITEM 6 Reliance on Section 1.1(2) of the Schedule to ASC Rule 81-501:

If the report is being filed in reliance on section 1.1(2) of the Schedule to ASC Rule 81-501, state the reasons for the non-disclosure.

INSTRUCTION:

Refer to section 1.1(3) and (4) of the Schedule to ASC Rule 81-501 and to section 143 of the Alberta Securities Commission Rules concerning continuing obligations in respect of reports filed pursuant to section 1.1(2) of the Schedule to ASC Rule 81-501.

ITEM 7 Omitted Information:

(1) Where

- (a) a material change has occurred,
- (b) a material change report has been or is about to be filed but section 1.1(2) of the Schedule to ASC Rule 81-501 will no longer or will not be relied upon, and
- (c) the reporting issuer is nevertheless of the opinion that one or more significant facts otherwise required to be disclosed in the material change report should remain confidential and not be disclosed or not be disclosed in full detail in the material change report,

the reporting issuer shall state whether one or more of those significant facts has been omitted.

(2) Where the reporting issuer indicates that one or more significant facts have been omitted, the reporting issuer shall provide the reasons for the omissions in sufficient detail to permit the Executive Director to exercise discretion pursuant to section 221(4) of the *Securities Act*.

INSTRUCTION:

The reasons for the omissions of one or more significant facts may be contained in a separate letter filed as provided in section 143 of the Alberta Securities Commission Rules.

ITEM 8 Senior Officers:

Give the name and business telephone number of a senior officer of the reporting issuer who is knowledgeable about the material change and the report or an officer through whom the senior officer may be contacted by the Executive Director.

ITEM 9 Statement of Senior Officer:

Include a statement in the following form signed by a senior officer of the reporting issuer:

The foregoing accurately discloses the material change referred to in this report.

Also include date and place of making the statement.

IT IS AN OFFENCE UNDER THE *SECURITIES ACT* AND THE *ALBERTA SECURITIES COMMISSION RULES* FOR A PERSON OR COMPANY TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THE RULES THAT, AT THE TIME AND IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

ANY FEE PAYABLE TO THE ALBERTA SECURITIES COMMISSION UNDER THE *SECURITIES ACT*, *THE SECURITIES REGULATION* AND THE *ALBERTA SECURITIES COMMISSION RULES* SHALL BE PAID TO THE ALBERTA SECURITIES COMMISSION IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEE SCHEDULE TO THE SECURITIES REGULATION. ANY FAILURE TO ACCOMPANY A FORM OR APPLICATION WITH THE PRESCRIBED FEE SHALL RESULT IN THE RETURN OF THAT FORM OR APPLICATION.