

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA AND MANITOBA

AND

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

AND

IN THE MATTER OF LAKE SHORE ASSET MANAGEMENT INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in Alberta and Manitoba (the "Jurisdictions") has received an application from Lake Shore Asset Management Inc. ("Lake Shore") under the securities legislation of Alberta and the commodity futures legislation of Manitoba (the "Legislation") that Lake Shore be exempted from the requirement to be registered as an advisor or adviser under the Legislation (the "Advisor Registration Requirement") in connection with advising others with respect to investing in or the buying or selling of exchange contracts in the Jurisdictions;

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Qu_雷 Commission Notice 14-101;

4. AND WHEREAS Lake Shore has represented to the Decision Makers that:

4.1 Lake Shore is incorporated under the laws of the State of Illinois with its head office located in Chicago, Illinois;

4.2 Lake Shore is a commodity trading advisor registered with the Commodity Futures Trading Commission and a member of the National Futures Association in the United States (the "U.S. Registration"), which permits Lake Shore to advise in respect of futures and forward contracts and options on futures and forward contracts in the United States;

4.3 Lake Shore is not registered as an advisor or adviser under the Legislation;

4.4 Lake Shore will:

4.4.1 be retained by an entity registered as an advisor or adviser under the Legislation (a "Registrant") to assist the Registrant by providing advice in connection with accounts managed by the Registrant regarding the investment of funds of clients of the Registrant in exchange-traded financial derivatives contracts in the United States; and

4.4.2 enter into a written agreement with the Registrant that sets out the obligations and duties of Lake Shore regarding the provision of advice to the Registrant;

4.5 clients of the Registrant will be largely individuals and will have either an annual income of \$75,000 or net worth of \$150,000;

4.6 Lake Shore will comply with the requirements of section 7.3 of Rule 35-502 Non-Resident Advisors of the Ontario Securities Commission and:

4.6.1 maintain its U.S. Registration;

4.6.2 ensure that the Registrant contractually agrees with its clients, on whose behalf investment advice or portfolio management services are to be provided by Lake Shore, that it will be responsible for any loss that arises out of the failure of Lake Shore,

4.6.2.1 to exercise the powers and discharge the duties of its office honestly, in good faith, and in the best interests of the client of the Registrant for whose benefit the advice or portfolio management services are provided; and

4.6.2.2 to exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in the circumstances in providing advice or portfolio management services for the benefit of the client,

and this responsibility cannot be waived;

4.6.3 ensure that the Registrant will assume responsibility to clients for all advice received from Lake Shore, including responsibility for losses sustained by a client as a result of the negligence, willful misconduct, bad faith or willful neglect, default or failure to comply with applicable laws and regulations by the Registrant or Lake Shore, and the Registrant cannot be relieved by its clients from this responsibility; and

4.6.4 provide the Registrant with a copy of this MRRS Decision Document; and

4.6.5 ensure that:

4.6.5.1 the Registrant will be responsible for providing all client reports and statements required under the Legislation;

4.6.5.2 each client of the Registrant will obtain all advice and information and give all instructions and directions through the Registrant;

4.6.5.3 all direct contact with clients of the Registrant will be made by the Registrant and its employees; and

4.6.5.4 Lake Shore and its employees will not have any direct contact with any client of the Registrant;

and

4.7 providing advice or portfolio management services to a Registrant, as set out above, would subject Lake Shore and its officers and employees to the Advisor Registration Requirement and there are no exemptions in the Legislation available to Lake Shore from this requirement;

5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

6. AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

7. THE DECISION of the Decision Makers under the Legislation is that the Advisor Registration Requirement does not apply to Lake Shore and each of its officers or employees provided that the requirements set out in paragraphs 4.4, 4.5, and 4.6 are complied with.

DATED this 16th day of April, 2003

"original signed by"

Glenda A. Campbell, Q.C., Vice-Chair

"original signed by"

Stephen R. Murison, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration requirements in connection with a foreign sub-advisor providing investment counsel and portfolio management services to a registrant.

Applicable Alberta Statutory Provisions

Securities Act, R.S.A., 2000, c. S-4, sections 75(1)(b) and 144(1).