

IN THE MATTER OF
THE SECURITIES LEGISLATION OF BRITISH COLUMBIA
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF WINNIPEG COMMODITY EXCHANGE

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Manitoba, British Columbia, Alberta, Saskatchewan, Ontario and Québec (the "**Jurisdictions**") has received an application from Winnipeg Commodity Exchange (the "**Exchange**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that the registration and prospectus requirements contained in the Legislation shall not apply to intended trades in shares of WCE Holdings Inc. ("**Holdings**");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), The Manitoba Securities Commission is the principal regulator for this application;

AND WHEREAS the Exchange has represented to the Decision Makers that:

1.1 The Exchange is a commodities futures exchange established in 1887, and operates a futures and options exchange for contracts traded on canola, flaxseed, feed wheat, feed barley, oats and field peas.

1.2 The Exchange has been recognized by The Manitoba Securities Commission as a commodity futures exchange pursuant to section 15 of *The Commodity Futures Act* (Manitoba) (the "CFA").

1.3 The Exchange's membership as of May 31, 2001 was made up of 212 members ("**WCE Members**"), holding a total of 240 memberships, consisting of country and terminal elevator companies, merchants, exporters, oilseed crushers, feed manufacturers, independent floor traders and Futures Commission Merchants. The last public sale of a membership seat was in November 1999 at a value of \$1,500. As at May 31, 2001, WCE Members were resident as follows:

Manitoba	- 157 Members (holding 173 memberships)
British Columbia	- 5 Members (holding 5 memberships)
Alberta	- 7 Members (holding 10 memberships)
Saskatchewan	- 11 Members (holding 11 memberships)

Ontario	- 7 Members (holding 14 memberships)
Quebec	- 6 Members (holding 7 memberships)
United States	- 13 Members (holding 14 memberships)
Hong Kong	- 6 Members (holding 6 memberships)

1.4 On February 20, 2001, the WCE Members voted 83.5% in favour of undergoing a demutualization process, whereby the Exchange would be transformed from a not-for-profit, membership based organization into a for-profit, share capital corporation (the "**Demutualization**").

1.5 In order to implement the Demutualization, *The Winnipeg Commodity Exchange Restructuring Act* (Manitoba) (the "**Amending Legislation**") has been enacted to facilitate the Exchange's charter being continued as a share capital, for profit corporation named WCE Holdings Inc. ("**Holdings**") under *The Corporations Act (Manitoba)* (the "**MCA**") and the current governing statute, *The Winnipeg Commodity Exchange Act* (Manitoba) has been repealed. The Amending Legislation provides that all existing membership rights and interests in the Exchange will be exchanged/converted into shares of Holdings. All exchange related assets of Holdings would then be transferred by Holdings to a new wholly owned subsidiary named Winnipeg Commodity Exchange Inc. ("**WCE Inc.**").

1.6 Winnipeg Commodity Exchange Clearing Corporation ("WCECC") is the designated clearinghouse for all contracts traded on the Exchange. It is currently a non-share capital corporation incorporated under the MCA. The corporate structure of WCECC will be changed from a non-share capital corporation to a share capital corporation. A minimal number of shares will be issued with ownership and control held by Holdings. Clearing privileges will be contractually based and extended to current WCECC clearing members and any other entities, which apply and meet the eligibility criteria ("**Clearing Participants**").

1.7 The authorized capital of Holdings will consist of two classes of shares: Class A Common Shares ("**Shares**") and Class B Preferred Shares (issuable in series).

1.8 Neither the Shares nor the Class B Preferred Shares are listed or posted for trading on any stock exchange and the Exchange has no present intention to apply for such a listing.

1.9 The Board of Governors of the Exchange formed a special committee to review and evaluate the benefits of demutualization (the "**Demutualization Committee**"). One of the mandates of the Demutualization Committee was to determine an appropriate share allocation methodology relating to the ultimate distribution of Holdings shares to WCE Members as part of the Demutualization. The Demutualization Committee recommended, and the Board of Governors accepted, that a membership-based model whereby all WCE Members receive an equal number of shares regardless of their membership category or any other criteria, was the most appropriate model. As part of the Demutualization, each WCE Member will exchange its membership seat for an equal number (100) of Shares.

1.10 The future transfer of the Shares will be subject to the approval of the Board of Directors of Holdings. Additionally, the articles of continuance of Holdings will contain a provision that no

entity (including entities acting jointly or in concert) will be permitted to hold more than an aggregate of 15% of the issued and outstanding voting shares of Holdings.

1.11 Trading privileges, privileges relating to the listing of futures contracts delivery space and to issue warrants or receive reduced transaction charges will be contractual rights extended to four categories of participants ("Participants") by WCE Inc. and will not be conditional upon the Participant having any equity interest in Holdings. Participant status provides the Participant with the right to conduct the activities permitted by the class and category or registration, within the provisions of WCE Inc.'s rules (the "**Rules**"). The categories of Participants are as follows:

1. Trading Participants;
2. Sponsored Participants;
3. Merchant Participants; and
4. Ancillary Participant

All Participants must meet and maintain all applicable educational and qualifying standards on an ongoing basis, as required by the Rules, and self-regulatory organization they are a member of and by all securities regulatory authorities they are subject to. The Board of Directors of WCE Inc. determines whether or not a potential Participant meets the criteria for status as a Participant.

1.12 Holdings is not and does not intend to become a reporting issuer or the equivalent in any of the jurisdictions in Canada.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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

THE DECISION of the Decision Makers under the Legislation is that:

(a) the issuance of Shares in connection with the Demutualization shall not be subject to the registration and prospectus requirements of the Legislation provided that any subsequent trade in Shares acquired in connection with the Demutualization shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless such trade is made between:

- i) shareholders of Holdings ("**Holdings Shareholders**");
- ii) Holdings Shareholders and Participants;
- iii) Holdings Shareholders and Clearing Participants;

(iv) Holdings Shareholders and entities whose primary business is the trading of derivatives products or the production, trading, sale or processing of any commodity underlying a product traded on the WCE Inc.; or

(v) Holdings Shareholders and employees of WCE Inc. or WCECC;

and further provided that all such trades in Shares receive prior approval of the Board of Directors of Holdings.

(b) the issuance of Shares subsequent to the Demutualization to Participants or Clearing Participants shall not be subject to the registration and prospectus requirements of the Legislation provided that any subsequent trade of such Shares shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless such trade is made between:

i) Holdings Shareholders;

ii) Holdings Shareholders and Participants;

iii) Holdings Shareholders and Clearing Participants;

(iv) Holdings Shareholders and entities whose primary business is the trading of derivatives products or the production, trading, sale or processing of any commodity underlying a product traded on the WCE Inc.; or

(v) Holdings Shareholders and employees of WCE Inc. or WCECC.

and further provided that all such trades in Shares receive prior approval of the Board of Directors of Holdings.

DATED at Winnipeg, Manitoba, on August "30th", 2001.

"Chris P. Besko"
Deputy Director - Legal