PART XLI
[*clause 2(oo)*]

NATIONAL INSTRUMENT 58-101
DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

PART I DEFINITIONS AND APPLICATIONS

1.1 Definitions - In this Instrument:

"AIF" has the same meaning as in NI 51-102;

"asset-backed security" has the same meaning as in NI 51-102;

"CEO" means a chief executive officer;

"code" means a code of business conduct and ethics;

"executive officer" has the same meaning as in NI 51-102;

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"MD&A" has the same meaning as in NI 51-102;

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"NI 52-110" means National Instrument 52-110 *Audit Committees;*

"SEDAR" has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

"significant security holder means, in relation to an issuer, a security holder that:

(a) owns or controls 10% or more of any class of the issuer's voting securities; or

(b) is able to affect materially the control of the issuer, whether alone or by acting in concert with others;

"subsidiary entity" has the meaning set out in NI 52-110;

"U.S. marketplace" means an exchange registered as of the effective date of this Instrument as a 'national securities exchange' under section 6 of the 1934 Act, or the Nasdaq Stock Market; and

"venture issuer" means a reporting issuer that, at the end of its most recently completed financial year, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

1.2 Meaning of Independence

(1) For the purposes of this instrument, a director is independent if he or she would be independent within the meaning of section 1.4 of NI 52-110.

(2) **Repealed.** 4 Apr 2008 SR 18/2008 s7.

1.3 Application - This Instrument applies to a reporting issuer other than:

(a) an investment fund or issuer of asset-backed securities, as defined in NI 51-102;

(b) a designated foreign issuer or SEC foreign issuer, as defined in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

(c) a credit support issuer or exchangeable security issuer that is exempt under sections 13.2 and 13.3 of NI 51-102, as applicable; and

(d) an issuer that is a subsidiary entity, if:

(i) the issuer does not have equity securities, other than non-convertible, non-participating preferred securities, trading on a marketplace; and

(ii) the person or company that owns the issuer is:

(A) subject to the requirements of this Instrument; or

(B) an issuer that has securities listed or quoted on a U.S. marketplace, and is in compliance with the corporate governance disclosure requirements of that U.S. marketplace.

PART 2 DISCLOSURE AND FILING REQUIREMENTS

2.1 Required Disclosure

(1) If management of an issuer, other than a venture issuer, solicits a proxy from a security holder of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular the disclosure required by Form 58-101F1.

(2) An issuer, other than a venture issuer, that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F1 in its AIF.

2.2 Venture Issuers

(1) If management of a venture issuer solicits a proxy from a security holder of the venture issuer for the purpose of electing directors to the issuer's board of directors, the venture issuer must include in its management information circular the disclosure required by Form 58-101F2.

(2) A venture issuer that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F2 in its AIF or annual MD&A.

2.3 Filing of Code - If an issuer has adopted or amended a written code, the issuer must file a copy of the code or amendment on SEDAR no later than the date on which the issuer's next financial statements must be filed, unless a copy of the code or amendment has been previously filed.

PART 3 EXEMPTIONS AND EFFECTIVE DATE

3.1 Exemptions

(1) The securities regulatory authority or regulator may grant an exemption from this rule, in whole or in part, subject to any conditions or restrictions imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

3.2 Effective Date

(1) This Instrument comes into force on June 30, 2005.

(2) Despite subsection (1), sections 2.1 and 2.2 only apply to management information circulars, AIFs and annual MD&A, as the case may be, which are filed following an issuer's financial year ending on or after June 30, 2005.

FORM 58-101F1
CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

(a) Disclose the identity of directors who are independent.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the **board**) does to facilitate its exercise of independent judgement in carrying out its responsibilities.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

2. Board Mandate - Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

3. Position Descriptions

(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

4. Orientation and Continuing Education

(a) Briefly describe what measures the board takes to orient new directors regarding:

(i) the role of the board, its committees and its directors; and

(ii) the nature and operation of the issuer's business.

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

(i) disclose how a person or company may obtain a copy of the code;

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

7. Compensation

(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

(d) **Repealed.** 17 Feb 2012 SR 4/2012 s4.

8. Other Board Committees - If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

9. Assessments - Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

INSTRUCTIONS:

(1) This Form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.

Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to the issuer refer to both the trust and any underlying entities, including the operating entity.

(2) If the disclosure required by Item 1 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.

(3) Disclosure regarding board committees made under Item 8 of this Form may include the existence and summary content of any committee charter.

(4) Issuers may incorporate disclosure regarding compensation made under Item 7 of this Form by reference to the information required to be included in Form 51-102F6 Statement of Executive Compensation. Clearly identify the information that is incorporated by reference into this Form.

FORM 58-101F2
CORPORATE GOVERNANCE DISCLOSURE

(Venture Issuers)

1. **Board of Directors** - Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including:

   (i) the identity of directors that are independent; and

   (ii) the identity of directors who are not independent, and the basis for that determination.

2. **Directorships** - If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

3. **Orientation and Continuing Education** - Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

4. **Ethical Business Conduct** - Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

5. **Nomination of Directors** - Disclose what steps, if any, are taken to identify new candidates for board nomination, including:

   (i) who identifies new candidates; and

   (ii) the process of identifying new candidates.

6. **Compensation** - Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

   (i) who determines compensation; and

   (ii) the process of determining compensation.

7. **Other Board Committees** - If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

8. Assessments - Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

INSTRUCTIONS:

(1) This form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.

Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to 'the issuer' refer to both the trust and any underlying entities, including the operating entity.

(2) If the disclosure required by Items 1 and 2 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.

(3) Disclosure regarding board committees made under Item 7 of this Form may include the existence and summary content of any committee charter.

30 Jne 2005 SR 61/2005 s5; 11 Jan 2008 SR 128/2007 s8; 4 Apr 2008 SR 18/2008 s7; 17 Feb 2012 SR 4/2012 s4.

PART XLII
[*clause 2(pp)*]

MULTILATERAL INSTRUMENT 11-101 PRINCIPAL REGULATOR SYSTEM

Repealed. 2 Oct 2009 SR 81/2009 s12.

PART XLIII
[*clause 2(qq)*]
National Instrument 45-106
Prospectus and Registration Exemptions

PART 1 DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Instrument:

"accredited investor" means:

(a) a Canadian financial institution, or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

(d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

(e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);

(f) the Government of Canada or a jurisdiction of Canada, or any Crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

(g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

(i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;

(j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

(k) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;

(l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000;

(m) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;

(n) an investment fund that distributes or has distributed its securities only to:

(i) a person that is or was an accredited investor at the time of the distribution;

(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*], or 2.19 [*Additional investment in investment funds*]; or

(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*];

(o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;

(p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

(q) a person acting on behalf of a fully managed account managed by that person, if that person:

(i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and

(ii) in Ontario, is purchasing a security that is not a security of an investment fund;

(r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

(s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;

(t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;

(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or

(v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor;

"acquisition date" has the same meaning as in the issuer's GAAP;

"AIF" means:

(a) an AIF as defined in National Instrument 51-102 *Continuous Disclosure Obligations*;

(b) a prospectus filed in a jurisdiction, other than a prospectus filed under a CPC instrument, if the issuer has not filed or been required to file an AIF or annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations*; or

(c) a QT circular if the issuer has not filed or been required to file annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations* subsequent to filing a QT circular;

"approved credit rating" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"approved credit rating organization" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"bank" means a bank named in Schedule I or II of the *Bank Act* (Canada);

"Canadian financial institution" means:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

"CPC instrument" means a rule, regulation or policy of the TSX Venture Exchange Inc. that applies only to capital pool companies, and, in Quebec, includes Policy Statement 41-601Q, Capital Pool Companies;

"debt security" means any bond, debenture, note or similar instrument representing indebtedness, whether secured or unsecured;

"director" means:

(a) a member of the board of directors of a company or an individual who performs similar functions for a company; and

(b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

"eligibility adviser" means:

(a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed; and

(b) in Saskatchewan or Manitoba, also means a lawyer who is a practising member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:

(i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons; and

(ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

"eligible investor" means:

(a) a person whose:

(i) net assets, alone or with a spouse, in the case of an individual, exceed $400,000;

(ii) net income before taxes exceeded $75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or

(iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded $125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;

(b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;

(c) a general partnership of which all of the partners are eligible investors;

(d) a limited partnership of which the majority of the general partners are eligible investors;

(e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors;

(f) an accredited investor;

(g) a person described in section 2.5 [*Family, friends and business associates*]; or

(h) a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser;

"executive officer" means, for an issuer, an individual who is:

(a) a chair, vice-chair or president;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or

(c) performing a policy-making function in respect of the issuer;

"financial assets" means:

(a) cash;

(b) securities; or

(c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

"financial statements" includes interim financial reports;

"founder" means, in respect of an issuer, a person who:

(a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer; and

(b) at the time of the distribution or trade is actively involved in the business of the issuer;

"fully managed account" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

"investment fund" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"issuer's GAAP" has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"MD&A" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

"non-redeemable investment fund" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"person" includes:

(a) an individual;

(b) a corporation;

(c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and

(d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

"private enterprise" has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"publicly accountable enterprise" has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"QT circular" means an information circular or filing statement in respect of a qualifying transaction for a capital pool company filed under a CPC instrument;

"qualifying issuer" means a reporting issuer in a jurisdiction of Canada that:

(a) is a SEDAR filer;

(b) has filed all documents required to be filed under the securities legislation of that jurisdiction; and

(c) if not required to file an AIF, has filed in the jurisdiction:

(i) an AIF for its most recently completed financial year for which annual statements are required to be filed; and

(ii) copies of all material incorporated by reference in the AIF not previously filed;

"related liabilities" means:

(a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or

(b) liabilities that are secured by financial assets;

"retrospective" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"retrospectively" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"RRIF" means a registered retirement income fund as defined in the *Income Tax Act* (Canada);

"RRSP" means a registered retirement savings plan as defined in the *Income Tax Act* (Canada);

"Schedule III bank" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

"SEDAR filer" means an issuer that is an electronic filer under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

"self-directed RESP" means an educational savings plan registered under the *Income Tax Act* (Canada):

(a) that is structured so that a contribution by a subscriber to the plan is deposited directly into an account in the name of the subscriber; and

(b) under which the subscriber maintains control and direction over the plan to direct how the assets of the plan are to be held, invested or reinvested subject to compliance with the *Income Tax Act* (Canada);

"spouse" means, an individual who:

(a) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual;

(b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or

(c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

"subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

"TFSA" means a tax-free savings account as described in the *Income Tax Act* (Canada).

Interpretation of indirect interest

1.2 For the purposes of paragraph (t) of the definition of **"accredited investor"** in section 1.1, in British Columbia, an indirect interest means an economic interest in the person referred to in that paragraph.

Affiliate

1.3 For the purpose of this Instrument, an issuer is an affiliate of another issuer if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person.

Control

1.4 Except in Part 2, Division 4, for the purpose of this Instrument, a person (first person) is considered to control another person (second person) if:

(a) the first person beneficially owns or directly or indirectly exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;

(b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or

(c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

Registration requirement

1.5(1) An exemption in this Instrument from the dealer registration requirement, or from the prospectus requirement, that refers to a registered dealer is only available for a trade in a security if the dealer is registered in a category that permits the trade described in the exemption.

(2) In this Instrument, an exemption from the dealer registration requirement is an exemption from the underwriter registration requirement.

Definition of distribution - Manitoba

1.6 For the purpose of this Instrument, in Manitoba, **"distribution"** means a primary distribution to the public.

Definition of trade - Québec

1.7 For the purpose of this Instrument, in Québec, **"trade"** refers to any of the following activities:

(a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:

(i) the sale or disposition of a security by onerous title, whether the terms of payment be on margin, installment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);

(ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;

(iii) the receipt by a registrant of an order to buy or sell a security;

(b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.

PART 2 PROSPECTUS EXEMPTIONS

Division 1: Capital Raising Exemptions

Rights offering

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.1 The prospectus requirement does not apply to a distribution by an issuer of a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer if:

(a) the issuer has given the regulator or, in Québec, the securities regulatory authority, prior written notice stating the date, amount, nature and conditions of the distribution, including the approximate net proceeds to be derived by the issuer on the basis of the additional securities being fully taken up;

(b) the regulator or, in Québec, the securities regulatory authority, has not objected in writing to the distribution within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator or securities regulatory authority objects to the distribution, the issuer has delivered to the regulator or securities regulatory authority information relating to the securities that is satisfactory to and accepted by the regulator or securities regulatory authority; and

(c) the issuer has complied with the applicable requirements of National Instrument 45-101 *Rights Offerings*.

Reinvestment plan

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.2(1) Subject to subsections (3), (4) and (5), the prospectus requirement does not apply to the following distributions by an issuer, or by a trustee, custodian or administrator acting for or on behalf of the issuer, to a security holder of the issuer if the distributions are permitted by a plan of the issuer:

(a) a distribution of a security of the issuer's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the issuer's securities is applied to the purchase of the security; and

(b) subject to subsection (2), a distribution of a security of the issuer's own issue if the security holder makes an optional cash payment to purchase the security of the issuer that trades on a marketplace.

(2) Subsection (1) does not apply unless the aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) does not exceed, in the financial year of the issuer during which the distribution takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits a distribution described in subsection (1)(a) or (b) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) Subsection (1) does not apply to a distribution of a security of an investment fund.

(5) Subject to section 8.3.1, if the security distributed under a plan described in subsection (1) is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator must have provided to each participant that is eligible to receive a security under the plan either a description of the material attributes and characteristics of the security distributed under the plan or notice of a source from which the participant can obtain the information without charge.

Accredited investor

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.3(1) The prospectus requirement does not apply to a distribution of a security if the purchaser purchases the security as principal and is an accredited investor.

(2) Subject to subsection (3), for the purpose of this section, a trust company or trust corporation described in paragraph (p) of the definition of "accredited investor" in section 1.1 [*Definitions*] is deemed to be purchasing as principal.

(3) Subsection (2) does not apply to a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada.

(4) For the purpose of this section, a person described in paragraph (q) of the definition of "accredited investor" in section 1.1 [*Definitions*] is deemed to be purchasing as principal.

(5) This section does not apply to a distribution of a security to a person if the person was created, or is used, solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor" in section 1.1 [*Definitions*].

Private issuer

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.4(1) In this section:

"private issuer" means an issuer:

(a) that is not a reporting issuer or an investment fund;

(b) the securities of which, other than non-convertible debt securities:

(i) are subject to restrictions on transfer that are contained in the issuer's constating documents or security holders" agreements; and

(ii) are beneficially owned by not more than 50 persons, not including employees and former employees of the issuer or its affiliates, provided that each person is counted as one beneficial owner unless the person is created or used solely to purchase or hold securities of the issuer in which case each beneficial owner or each beneficiary of the person, as the case may be, must be counted as a separate beneficial owner; and

(c) that:

(i) has distributed its securities only to persons described in subsection (2); or

(ii) has completed a transaction and immediately following the completion of the transaction, its securities were beneficially owned only by persons described in subsection (2) and since the completion of the transaction has distributed its securities only to persons described in subsection (2).

(2) The prospectus requirement does not apply to a distribution of a security of a private issuer to a person who purchases the security as principal and is:

(a) a director, officer, employee, founder or control person of the issuer;

(b) a director, officer or employee of an affiliate of the issuer;

(c) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the issuer;

(d) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the issuer;

(e) a close personal friend of a director, executive officer, founder or control person of the issuer;

(f) a close business associate of a director, executive officer, founder or control person of the issuer;

(g) a spouse, parent, grandparent, brother, sister, child or grandchild of the selling security holder or of the selling security holder's spouse;

(h) a security holder of the issuer;

(i) an accredited investor;

(j) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (i);

(k) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (i); or

(l) a person that is not the public.

(3) Except for a distribution to an accredited investor, no commission or finder's fee may be paid to any director, officer, founder or control person of an issuer in connection with a distribution under subsection (2).

Family, friends and business associates

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.5(1) Except in Ontario and subject to section 2.6 [*Family, friends and business associates — Saskatchewan*], the prospectus requirement does not apply to a distribution of a security to a person who purchases the security as principal and is:

(a) a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(c) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the issuer or of an affiliate of the issuer;

(d) a close personal friend of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(e) a close business associate of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the issuer;

(g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the issuer;

(h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g); or

(i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g).

(2) No commission or finder's fee may be paid to any director, officer, founder, or control person of an issuer or an affiliate of the issuer in connection with a distribution under subsection (1).

Family, friends and business associates - Saskatchewan

2.6(1) In Saskatchewan, section 2.5 [*Family, friends and business associates*] does not apply unless the person making the distribution obtains a signed risk acknowledgement from the purchaser in the required form for a distribution to:

(a) a person described in section 2.5(1) (d) or (e) [*Family, friends and business associates*];

(b) a close personal friend or close business associate of a founder of the issuer; or

(c) a person described in section 2.5(1)(h) or (i) [*Family, friends and business associates*] if the distribution is based in whole or in part on a close personal friendship or close business association.

(2) The person making the distribution must retain the required form referred to in subsection (1) for 8 years after the distribution.

Founder, control person and family - Ontario

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.7 In Ontario, the prospectus requirement does not apply to a distribution to a person who purchases the security as principal and is:

(a) a founder of the issuer;

(b) an affiliate of a founder of the issuer;

(c) a spouse, parent, brother, sister, grandparent, grandchild or child of an executive officer, director or founder of the issuer; or

(d) a person that is a control person of the issuer.

Affiliates

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.8 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to an affiliate of the issuer that is purchasing as principal.

Offering memorandum

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.9(1) In British Columbia, New Brunswick, Nova Scotia and Newfoundland and Labrador, the prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser if:

(a) the purchaser purchases the security as principal; and

(b) at the same time or before the purchaser signs the agreement to purchase the security, the issuer:

(i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13); and

(ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15).

(2) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, the prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser if:

(a) the purchaser purchases the security as principal;

(b) the purchaser is an eligible investor or the acquisition cost to the purchaser does not exceed $10,000;

(c) at the same time or before the purchaser signs the agreement to purchase the security, the issuer:

(i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13); and

(ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15); and

(d) if the issuer is an investment fund, the investment fund is:

(i) a non-redeemable investment fund; or

(ii) a mutual fund that is a reporting issuer.

(3) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, this section does not apply to a distribution of a security to a person described in paragraph (a) of the definition of "eligible investor" in section 1.1 [*Definitions*] if that person was created, or is used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirement set out in subsection (2).

(4) No commission or finder's fee may be paid to any person, other than a registered dealer, in connection with a distribution to a purchaser in the Northwest Territories, Nunavut, Saskatchewan and Yukon under subsection (2).

(5) An offering memorandum delivered under this section must be in the required form.

(6) If the securities legislation where the purchaser is resident does not provide a comparable right, an offering memorandum delivered under this section must provide the purchaser with a contractual right to cancel the agreement to purchase the security by delivering a notice to the issuer not later than midnight on the 2nd business day after the purchaser signs the agreement to purchase the security.

(7) If the securities legislation where the purchaser is resident does not provide statutory rights of action in the event of a misrepresentation in an offering memorandum delivered under this section, the offering memorandum must contain a contractual right of action against the issuer for rescission or damages that:

(a) is available to the purchaser if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation;

(b) is enforceable by the purchaser delivering a notice to the issuer:

(i) in the case of an action for rescission, within 180 days after the purchaser signs the agreement to purchase the security; or

(ii) in the case of an action for damages, before the earlier of:

(A) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action; or

(B) 3 years after the date the purchaser signs the agreement to purchase the security;

(c) is subject to the defence that the purchaser had knowledge of the misrepresentation;

(d) in the case of an action for damages, provides that the amount recoverable:

(i) must not exceed the price at which the security was offered; and

(ii) does not include all or any part of the damages that the issuer proves does not represent the depreciation in value of the security resulting from the misrepresentation; and

(e) is in addition to, and does not detract from, any other right of the purchaser.

(8) An offering memorandum delivered under this section must contain a certificate that states the following:

"This offering memorandum does not contain a misrepresentation".

(9) If the issuer is a company, a certificate under subsection (8) must be signed:

(a) by the issuer's chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, an individual acting in that capacity;

(b) on behalf of the directors of the issuer, by:

(i) any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a); or

(ii) all the directors of the issuer; and

(c) by each promoter of the issuer.

(10) If the issuer is a trust, a certificate under subsection (8) must be signed by:

(a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company; and

(b) each trustee and the manager of the issuer.

(10.1) If a trustee or the manager that is signing the certificate of the issuer is:

(a) an individual, the individual must sign the certificate;

(b) a company, the certificate must be signed:

(i) by the chief executive officer and the chief financial officer of the trustee or the manager; and

(ii) on behalf of the board of directors of the trustee or the manager, by:

(A) any two directors of the trustee or the manager, other than the persons referred to in subparagraph (i); or

(B) all of the directors of the trustee or the manager;

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership as described in subsection (11.1) in relation to an issuer that is a limited partnership; or

(d) not referred to in paragraphs (a), (b) or (c), the certificate may be signed by any person or company with authority to act on behalf of the trustee or the manager.

(10.2) Despite subsections (10) and (10.1), if the issuer is an investment fund and the declaration of trust, trust indenture or trust agreement establishing the investment fund delegates the authority to do so, or otherwise authorizes an individual or company to do so, the certificate may be signed by the individual or company to whom the authority is delegated or that is authorized to sign the certificate.

(10.3) Despite subsections (10) and (10.1), if the trustees of an issuer, other than an investment fund, do not perform functions for the issuer similar to those performed by the directors of a company, the trustees are not required to sign the certificate of the issuer if at least two individuals who perform functions for the issuer similar to those performed by the directors of a company sign the certificate.

(11) If the issuer is a limited partnership, a certificate under subsection (8) must be signed by:

(a) each individual who performs a function for the issuer similar to any of those performed by the chief executive officer or the chief financial officer of a company; and

(b) each general partner of the issuer.

(11.1) If a general partner of the issuer is:

(a) an individual, the individual must sign the certificate;

(b) a company, the certificate must be signed:

(i) by the chief executive officer and the chief financial officer of the general partner; and

(ii) on behalf of the board of directors of the general partner, by:

(A) any two directors of the general partner, other than the persons referred to in subparagraph (i); or

(B) all of the directors of the general partner;

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership and, for greater certainty, this subsection applies to each general partner required to sign;

(d) a trust, the certificate must be signed by the trustees of the general partner as described in subsection 10 in relation to an issuer that is a trust; or

(e) not referred to in paragraphs (a) to (d), the certificate may be signed by any person or company with authority to act on behalf of the general partner.

(12) If an issuer is not a company, trust or limited partnership, a certificate under subsection (8) must be signed by the persons that, in relation to the issuer, are in a similar position or perform a similar function to any of the persons referred to in subsections (9), (10), (10.1), (10.2), (10.3), (11) and (11.1).

(13) A certificate under subsection (8) must be true:

(a) at the date the certificate is signed; and

(b) at the date the offering memorandum is delivered to the purchaser.

(14) If a certificate under subsection (8) ceases to be true after it is delivered to the purchaser, the issuer cannot accept an agreement to purchase the security from the purchaser unless:

(a) the purchaser receives an update of the offering memorandum;

(b) the update of the offering memorandum contains a newly dated certificate signed in compliance with subsection (9), (10), (10.1), (10.2), (10.3), (11) or (11.1); and

(c) the purchaser re-signs the agreement to purchase the security.

(15) A risk acknowledgement under subsection (1) or (2) must be in the required form and an issuer relying on subsection (1) or (2) must retain the signed risk acknowledgment for 8 years after the distribution.

(16) The issuer must:

(a) hold in trust all consideration received from the purchaser in connection with a distribution of a security under subsection (1) or (2) until midnight on the 2nd business day after the purchaser signs the agreement to purchase the security; and

(b) return all consideration to the purchaser promptly if the purchaser exercises the right to cancel the agreement to purchase the security described under subsection (6).

(17) The issuer must file a copy of an offering memorandum delivered under this section and any update of a previously filed offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or update of the offering memorandum.

(18) **Repealed.** 5 Aug 2011 SR 48/2011 s8.

Minimum amount investment

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.10(1) The prospectus requirement does not apply to a distribution of a security to a person if:

(a) that person purchases as principal;

(b) the security has an acquisition cost to the purchaser of not less than $150,000 paid in cash at the time of the distribution; and

(c) the distribution is of a security of a single issuer.

(2) Subsection (1) does not apply to a distribution of a security to a person if the person was created, or is used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirement set out in subsection (1).

Division 2: Transaction Exemptions

Business combination and reorganization

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.11 The prospectus requirement does not apply to a distribution of a security in connection with:

(a) an amalgamation, merger, reorganization or arrangement that is under a statutory procedure;

(b) an amalgamation, merger, reorganization or arrangement that:

(i) is described in an information circular made pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* or in a similar disclosure record and the information circular or similar disclosure record is delivered to each security holder whose approval of the amalgamation, merger, reorganization or arrangement is required before it can proceed; and

(ii) is approved by the security holders referred to in subparagraph (i); or

(c) a dissolution or winding-up of the issuer.

Asset acquisition

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.12 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a person as consideration for the acquisition, directly or indirectly, of the assets of the person, if those assets have a fair value of not less than $150,000.

Petroleum, natural gas and mining properties

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.13 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue as consideration for the acquisition, directly or indirectly, of petroleum, natural gas or mining properties or any interest in them.

Securities for debt

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.14 The prospectus requirement does not apply to a distribution by a reporting issuer of a security of its own issue to a creditor to settle a bona fide debt of that reporting issuer.

Issuer acquisition or redemption

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*.

2.15 The prospectus requirement does not apply to a distribution of a security to the issuer of the security.

Take-over bid and issuer bid

Refer to section 2.11 or Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale unless the requirements of section 2.11 of National Instrument 45-102 are met.

2.16 The prospectus requirement does not apply to a distribution of a security in connection with a take-over bid in a jurisdiction of Canada or an issuer bid in a jurisdiction of Canada.

Offer to acquire to security holder outside local jurisdiction

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.17 The prospectus requirement does not apply to a distribution by a security holder outside the local jurisdiction to a person in the local jurisdiction if the distribution would have been in connection with a take-over bid or issuer bid made by that person were it not for the fact that the security holder is outside of the local jurisdiction.

Division 3: Investment Fund Exemptions

Investment fund reinvestment

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.18(1) Subject to subsections (3), (4), (5) and (6), the prospectus requirement does not apply to the following distributions by an investment fund, and the investment fund manager of the fund, to a security holder of the investment fund if the distributions are permitted by a plan of the investment fund:

(a) a distribution of a security of the investment fund's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities is applied to the purchase of the security that is of the same class or series as the securities to which the dividend or distribution out of earnings, surplus, capital or other sources is attributable; and

(b) subject to subsection (2), a distribution of a security of the investment fund's own issue if the security holder makes an optional cash payment to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (a) that trade on a marketplace.

(2) The aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) must not exceed, in any financial year of the investment fund during which the distribution takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits the distributions described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) A person must not charge a fee for a distribution described in subsection (1).

(5) An investment fund that is a reporting issuer and in continuous distribution must set out in its current prospectus:

(a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security;

(b) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund; and

(c) instructions on how the right referred to in paragraph (b) can be exercised.

(6) An investment fund that is a reporting issuer and is not in continuous distribution must provide the information required by subsection (5) in its prospectus, annual information form or a material change report.

Additional investment in investment funds

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.

2.19 The prospectus requirement does not apply to a distribution by an investment fund, or the investment fund manager of the fund, of a security of the investment fund's own issue to a security holder of the investment fund if:

(a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than $150,000 paid in cash at the time of the distribution;

(b) the distribution is of a security of the same class or series as the securities initially acquired, as described in paragraph (a); and

(c) the security holder, as at the date of the distribution, holds securities of the investment fund that have:

(i) an acquisition cost of not less than $150,000; or

(ii) a net asset value of not less than $150,000.

Private investment club

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.20 The prospectus requirement does not apply to a distribution of a security of an investment fund if the investment fund:

(a) has no more than 50 beneficial security holders;

(b) does not seek and has never sought to borrow money from the public;

(c) does not distribute and has never distributed its securities to the public;

(d) does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees; and

(e) for the purpose of financing the operations of the investment fund, requires security holders to make contributions in proportion to the value of the securities held by them.

Private investment fund - loan and trust pools

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.21(1) Subject to subsection (2), the prospectus requirement does not apply to a distribution of a security of an investment fund if the investment fund:

(a) is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) has no promoter or investment fund manager other than the trust company or trust corporation referred to in paragraph (a); and

(c) co-mingles the money of different estates and trusts for the purpose of facilitating investment.

(2) A trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of subparagraph (1)(a).

Division 4: Employee, Executive Officer, Director and Consultant Exemptions

Definitions

2.22 In this Division and in Division 4 of Part 3 of this Instrument:

"associate", when used to indicate a relationship with a person, means:

(a) an issuer of which the person beneficially owns or controls, directly or indirectly, voting securities entitling the person to more than 10% of the voting rights attached to outstanding voting securities of the issuer;

(b) any partner of the person;

(c) any trust or estate in which the person has a substantial beneficial interest or in respect of which the person serves as trustee or executor or in a similar capacity; or

(d) in the case of an individual, a relative of that individual, including:

(i) a spouse of that individual; or

(ii) a relative of that individual's spouse;

if the relative has the same home as that individual;

"associated consultant" means, for an issuer, a consultant of the issuer or of a related entity of the issuer if:

(a) the consultant is an associate of the issuer or of a related entity of the issuer; or

(b) the issuer or a related entity of the issuer is an associate of the consultant;

"compensation" means an issuance of securities in exchange for services provided or to be provided and includes an issuance of securities for the purpose of providing an incentive;

"consultant" means, for an issuer, a person, other than an employee, executive officer, or director of the issuer or of a related entity of the issuer, that:

(a) is engaged to provide services to the issuer or a related entity of the issuer, other than services provided in relation to a distribution;

(b) provides the services under a written contract with the issuer or a related entity of the issuer; and

(c) spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer;

and includes:

(d) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner; and

(e) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer;

"holding entity" means a person that is controlled by an individual;

"investor relations activities" means activities or communications, by or on behalf of an issuer or a security holder of the issuer, that promote or could reasonably be expected to promote the purchase or sale of securities of the issuer, but does not include:

(a) the dissemination of information or preparation of records in the ordinary course of the business of the issuer:

(i) to promote the sale of products or services of the issuer; or

(ii) to raise public awareness of the issuer;

that cannot reasonably be considered to promote the purchase or sale of securities of the issuer;

(b) activities or communications necessary to comply with the requirements of:

(i) securities legislation of any jurisdiction of Canada;

(ii) the securities laws of any foreign jurisdiction governing the issuer; or

(iii) any exchange or market on which the issuer's securities trade; or

(c) activities or communications necessary to follow securities directions of any jurisdiction of Canada;

"investor relations person" means a person that is a registrant or that provides services that include investor relations activities;

"issuer bid requirements" means the requirements under securities legislation that apply to an issuer bid;

"listed issuer" means an issuer, any of the securities of which:

(a) are listed and not suspended, or the equivalent, from trading on:

(i) TSX Inc.;

(ii) TSX Venture Exchange Inc.;

(iii) NYSE Amex Equities;

(iv) The New York Stock Exchange;

(v) the London Stock Exchange; or

(b) are quoted on the Nasdaq Stock Market;

"permitted assign" means, for a person that is an employee, executive officer, director or consultant of an issuer or of a related entity of the issuer:

(a) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person;

(b) a holding entity of the person;

(c) a RRSP, RRIF, or TFSA of the person;

(d) the spouse of the person;

(e) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person;

(f) a holding entity of the spouse of the person; or

(g) a RRSP, RRIF, or TFSA of the spouse of the person;

"plan" means a plan or program established or maintained by an issuer providing for the acquisition of securities of the issuer by persons described in section 2.24(1) [*Employee, executive officer, director and consultant*] as compensation;

"related entity" means, for an issuer, a person that controls or is controlled by the issuer or that is controlled by the same person that controls the issuer;

"related person" means, for an issuer:

(a) a director or executive officer of the issuer or of a related entity of the issuer;

(b) an associate of a director or executive officer of the issuer or of a related entity of the issuer; or

(c) a permitted assign of a director or executive officer of the issuer or of a related entity of the issuer;

"security holder approval" means an approval for the issuance of securities of an issuer as compensation or under a plan:

(a) given by a majority of the votes cast at a meeting of security holders of the issuer other than votes attaching to securities beneficially owned by related persons to whom securities may be issued as compensation or under that plan; or

(b) evidenced by a resolution signed by all the security holders entitled to vote at a meeting, if the issuer is not required to hold a meeting; and

"support agreement" includes an agreement to provide assistance in the maintenance or servicing of indebtedness of the borrower and an agreement to provide consideration for the purpose of maintaining or servicing indebtedness of the borrower.

Interpretation

2.23(1) In this Division, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of:

(a) ownership of or direction over voting securities in the second person;

(b) a written agreement or indenture;

(c) being the general partner or controlling the general partner of the second person; or

(d) being a trustee of the second person.

(2) In this Division, participation in a distribution is considered voluntary if:

(a) in the case of an employee or the employee's permitted assign, the employee or the employee's permitted assign is not induced to participate in the distribution by expectation of employment or continued employment of the employee with the issuer or a related entity of the issuer;

(b) in the case of an executive officer or the executive officer's permitted assign, the executive officer or the executive officer's permitted assign is not induced to participate in the distribution by expectation of appointment, employment, continued appointment or continued employment of the executive officer with the issuer or a related entity of the issuer;

(c) in the case of a consultant or the consultant's permitted assign, the consultant or the consultant's permitted assign is not induced to participate in the distribution by expectation of engagement of the consultant to provide services or continued engagement of the consultant to provide services to the issuer or a related entity of the issuer; and

(d) in the case of an employee of a consultant, the individual is not induced by the issuer, a related entity of the issuer, or the consultant to participate in the distribution by expectation of employment or continued employment with the consultant.

Employee, executive officer, director and consultant

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.24(1) Subject to section 2.25 [*Unlisted reporting issuer exception*], the prospectus requirement does not apply to a distribution:

(a) by an issuer in a security of its own issue; or

(b) by a control person of an issuer of a security of the issuer or of an option to acquire a security of the issuer;

with:

(c) an employee, executive officer, director or consultant of the issuer;

(d) an employee, executive officer, director or consultant of a related entity of the issuer; or

(e) a permitted assign of a person referred to in paragraphs (c) or (d);

if participation in the distribution is voluntary.

(2) For the purposes of subsection (1), a person referred to in paragraph (c), (d) or (e) includes a trustee, custodian or administrator acting as agent for that person for the purpose of facilitating a trade.

Unlisted reporting issuer exception

2.25(1) For the purpose of this section, **"unlisted reporting issuer"** means a reporting issuer in a jurisdiction of Canada that is not a listed issuer.

(2) Subject to subsection (3), section 2.24 [*Employee, executive officer, director and consultant*] does not apply to a distribution to an employee or consultant of the unlisted reporting issuer who is an investor relations person of the issuer, an associated consultant of the issuer, an executive officer of the issuer, a director of the issuer, or a permitted assign of those persons if, after the distribution:

(a) the number of securities, calculated on a fully diluted basis, reserved for issuance under options granted to:

(i) related persons, exceeds 10% of the outstanding securities of the issuer; or

(ii) a related person, exceeds 5% of the outstanding securities of the issuer; or

(b) the number of securities, calculated on a fully diluted basis, issued within 12 months to:

(i) related persons, exceeds 10% of the outstanding securities of the issuer; or

(ii) a related person and the associates of the related person, exceeds 5% of the outstanding securities of the issuer.

(3) Subsection (2) does not apply to a distribution if the unlisted reporting issuer:

(a) obtains security holder approval; and

(b) before obtaining security holder approval, provides security holders with the following information in sufficient detail to permit security holders to form a reasoned judgment concerning the matter:

(i) the eligibility of employees, executive officers, directors, and consultants to be issued or granted securities as compensation or under a plan;

(ii) the maximum number of securities that may be issued, or in the case of options, the number of securities that may be issued on exercise of the options, as compensation or under a plan;

(iii) particulars relating to any financial assistance or support agreement to be provided to participants by the issuer or any related entity of the issuer to facilitate the purchase of securities as compensation or under a plan, including whether the assistance or support is to be provided on a full-, part-, or non-recourse basis;

(iv) in the case of options, the maximum term and the basis for the determination of the exercise price;

(v) particulars relating to the options or other entitlements to be granted as compensation or under a plan, including transferability; and

(vi) the number of votes attaching to securities that, to the issuer's knowledge at the time the information is provided, will not be included for the purpose of determining whether security holder approval has been obtained.

Distributions among current or former employees, executive officers, directors, or consultants of non-reporting issuer

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.26(1) Subject to subsection (2), the prospectus requirement does not apply to a distribution of a security of an issuer by:

(a) a current or former employee, executive officer, director, or consultant of the issuer or related entity of the issuer; or

(b) a permitted assign of a person referred to in paragraph (a);

to:

(c) an employee, executive officer, director, or consultant of the issuer or a related entity of the issuer; or

(d) a permitted assign of the employee, executive officer, director, or consultant.

(2) The exemption in subsection (1) is only available if:

(a) participation in the distribution is voluntary;

(b) the issuer of the security is not a reporting issuer in any jurisdiction of Canada; and

(c) the price of the security being distributed is established by a generally applicable formula contained in a written agreement among some or all of the security holders of the issuer to which the transferee is or will become a party.

Permitted transferees

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.27(1) Subject to section 2.28, the prospectus requirement does not apply to a distribution of a security of an issuer acquired by a person described in section 2.24(1)[*Employee, executive officer, director and consultant*] under a plan of the issuer if the distribution:

(a) is between:

(i) a person who is an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; and

(ii) the permitted assign of that person; or

(b) is between permitted assigns of that person.

(2) Subject to section 2.28, the prospectus requirement does not apply to a distribution of a security of an issuer by a trustee, custodian or administrator acting on behalf, or for the benefit, of employees, executive officers, directors or consultants of the issuer or a related entity of the issuer, to:

(a) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; or

(b) a permitted assign of a person referred to in paragraph (a);

if the security was acquired from:

(c) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; or

(d) the permitted assign of a person referred to in paragraph (c).

(3) For the purposes of the exemptions in subsection (1) and paragraphs (2) (c) and (d), all references to employee, executive officer, director, or consultant include a former employee, executive officer, director, or consultant.

Limitation re: permitted transferees

2.28 The exemption from the prospectus requirement under subsection 2.27(1) or (2) is only available if the security was acquired:

(a) by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*] under any exemption that makes the resale of the security subject to section 2.6 of National Instrument 45-102 *Resale of Securities*; or

(b) in Manitoba, by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*].

Issuer bid

2.29 The issuer bid requirements do not apply to the acquisition by an issuer of a security of its own issue that was acquired by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*] if:

(a) the purpose of the acquisition by the issuer is to:

(i) fulfill withholding tax obligations; or

(ii) provide payment of the exercise price of a stock option;

(b) the acquisition by the issuer is made in accordance with the terms of a plan that specifies how the value of the securities acquired by the issuer is determined;

(c) in the case of securities acquired as payment of the exercise price of a stock option, the date of exercise of the option is chosen by the option holder; and

(d) the aggregate number of securities acquired by the issuer within a 12 month period under this section does not exceed 5% of the outstanding securities of the class or series at the beginning of the period.

Division 5: Miscellaneous Exemptions

Isolated distribution by issuer

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period.

2.30 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue if the distribution is an isolated distribution and is not made:

(a) in the course of continued and successive transactions of a like nature; and

(b) by a person whose usual business is trading in securities.

Dividends and distributions

Subsection (1) is cited in Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.Subsection (2) is cited in Appendix D and Appendix E of National Instrument 45-102. Resale restriction is determined by the exemption under which the previously issued security was first acquired.

2.31(1) The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a security holder of the issuer as a dividend or distribution out of earnings, surplus, capital or other sources.

(2) The prospectus requirement does not apply to a distribution by an issuer to a security holder of the issuer of a security of a reporting issuer as an in specie dividend or distribution out of earnings or surplus.

Distribution to lender by control person for collateral

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. Trades by a lender, pledgee, mortgagee or other encumbrancer to realize on a debt are regulated by section 2.8 of National Instrument 45-102.

2.32 The prospectus requirement does not apply to a distribution of a security of an issuer to a lender, pledgee, mortgagee or other encumbrancer from the holdings of a control person of the issuer for the purpose of giving collateral for a bona fide debt of the control person.

Acting as underwriter

Refer to Appendix F of National Instrument 45-102 *Resale of Securities*. First trades are a distribution.

2.33 The prospectus requirement does not apply to a distribution of a security between a person and a purchaser acting as an underwriter or between or among persons acting as underwriters.

Specified debt

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.34(1) In this section, **"permitted supranational agency"** means:

(a) the African Development Bank, established by the Agreement Establishing the African Development Bank which came into force on September 10, 1964, that Canada became a member of on December 30, 1982;

(b) the Asian Development Bank, established under a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;

(c) the Caribbean Development Bank, established by the Agreement Establishing the Caribbean Development Bank which came into force on January 26, 1970, as amended, that Canada is a founding member of;

(d) the European Bank for Reconstruction and Development, established by the Agreement Establishing the European Bank for Reconstruction and Development and approved by the *European Bank for Reconstruction and Development Agreement Act* (Canada), that Canada is a founding member of;

(e) the Inter-American Development Bank, established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, that Canada is a member of;

(f) the International Bank for Reconstruction and Development, established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada); and

(g) the International Finance Corporation, established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada).

(2) The prospectus requirement does not apply to a distribution of:

(a) a debt security issued by or guaranteed by the Government of Canada or the government of a jurisdiction of Canada;

(b) a debt security issued by or guaranteed by a government of a foreign jurisdiction if the debt security has an approved credit rating from an approved credit rating organization;

(c) a debt security issued by or guaranteed by a municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectable by or through the municipality in which the property is situated;

(d) a debt security issued by or guaranteed by a Canadian financial institution or a Schedule III bank, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities;

(d.1) in Ontario, a debt security issued by or guaranteed by a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of a jurisdiction of Canada other than Ontario to carry on business in a jurisdiction of Canada, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities;

(e) a debt security issued by the Comité de gestion de la taxe scolaire de l"île de Montréal; or

(f) a debt security issued by or guaranteed by a permitted supranational agency if the debt securities are payable in the currency of Canada or the United States of America.

(3) Paragraphs (2)(a), (c) and (d) do not apply in Ontario.

In Ontario, paragraphs 73(1)(a) and (b) of the *Securities Act* (Ontario) provide similar exemptions to the exemptions in paragraphs (2)(a), (c) and (d).

Short-term debt

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.35 The prospectus requirement does not apply to a distribution of a negotiable promissory note or commercial paper maturing not more than one year from the date of issue, if the note or commercial paper distributed:

(a) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in this section; and

(b) has an approved credit rating from an approved credit rating organization.

Mortgages

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.36(1) In this section, **"syndicated mortgage"** means a mortgage in which 2 or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage.

(2) Except in Ontario, and subject to subsection (3), the prospectus requirement does not apply to a distribution of a mortgage on real property in a jurisdiction of Canada by a person who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

(3) In Alberta, British Columbia, Manitoba, Québec and Saskatchewan, subsection (2) does not apply to a distribution of a syndicated mortgage.

In Ontario, paragraph 73(1)(a) of the *Securities Act* (Ontario) provides a similar exemption.

Personal property security legislation

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.37 Except in Ontario, the prospectus requirement does not apply to a distribution to a person, other than an individual, in a security evidencing indebtedness secured by or under a security agreement, secured in accordance with personal property security legislation of a jurisdiction of Canada that provides for the granting of security in personal property.

In Ontario, paragraph 73(1)(a) of the *Securities Act* (Ontario) provides a similar exemption.

Not for profit issuer

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.38 The prospectus requirement does not apply to a distribution by an issuer that is organized exclusively for educational, benevolent, fraternal, charitable, religious or recreational purposes and not for profit in a security of its own issue if:

(a) no part of the net earnings benefit any security holder of the issuer; and

(b) no commission or other remuneration is paid in connection with the sale of the security.

Variable insurance contract

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.39(1) In this section:

(a) **"contract"**, **"group insurance"**, **"insurance company"**, **"life insurance"** and **"policy"** have the respective meanings assigned to them in the legislation for a jurisdiction referenced in Appendix A;

(b) **"variable insurance contract"** means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

(2) The prospectus requirement does not apply to a distribution of a variable insurance contract by an insurance company if the variable insurance contract is:

(a) a contract of group insurance;

(b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity;

(c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds; or

(d) a variable life annuity.

RRSP/RRIF/TFSA

Refer to Appendix D and Appendix E of National Instrument 45-102 *Resale of Securities*. The resale restriction is determined by the exemption under which the security was first acquired.

2.40 The prospectus requirement does not apply to a distribution of a security between:

(a) an individual or an associate of the individual; and

(b) a RRSP, RRIF, or TFSA:

(i) established for or by the individual; or

(ii) under which the individual is a beneficiary.

Schedule III banks and cooperative associations - evidence of deposit

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.41 Except in Ontario, the prospectus requirement does not apply to a distribution of an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

In Ontario, clause (e) of the definition of "security" in subsection 1(1) of the *Securities Act* (Ontario) excludes these evidences of deposit from the definition of "security"

Conversion, exchange, or exercise

Subsection (1)(a) is cited in Appendix D and Appendix E of National Instrument 45-102 *Resale of Securities*. Resale restriction is determined by the exemption under which the previously issued security was first acquired.

Subsection (1)(b) is cited in Appendix E of National Instrument 45-102 *Resale fo Securities*. First trades are subject to a seasoning period on resale, unless the requirements of section 2.10 of NI 45-102 are met.

2.42(1) The prospectus requirement does not apply to a distribution by an issuer if:

(a) the issuer distributes a security of its own issue to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer; or

(b) subject to subsection (2), the issuer distributes a security of a reporting issuer held by it to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer.

(2) Subsection (1)(b) does not apply unless:

(a) the issuer has given the regulator or, in Québec, the securities regulatory authority, prior written notice stating the date, amount, nature and conditions of the distribution; and

(b) the regulator or, in Québec, the securities regulatory authority, has not objected in writing to the distribution within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator or securities regulatory authority objects to the distribution, the issuer must deliver to the regulator or securities regulatory authority information relating to the securities that is satisfactory to and accepted by the regulator or securities regulatory authority.

Self-directed registered educational savings plans

This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.

2.43 The prospectus requirement does not apply to a distribution of a self-directed RESP to a subscriber if:

(a) the distribution is conducted by:

(i) a dealing representative of a mutual fund dealer who is acting on behalf of the mutual fund dealer;

(ii) a Canadian financial institution; or

(iii) in Ontario, a financial intermediary; and

(b) the self-directed RESP restricts its investments in securities to securities in which the person who distributes the self-directed RESP is permitted to distribute.

PART 3: REGISTRATION EXEMPTIONS

Removal of exemptions - market intermediaries

3.0(1) Subject to subsection (2), in Ontario and Newfoundland and Labrador, the exemptions from the dealer registration requirement under the following sections are not available for a market intermediary except for a trade in a security with a registered dealer that is an affiliate of the market intermediary:

(a) section 3.1 [*Rights offering*];

(b) section 3.3 [*Accredited investor*];

(c) section 3.4 [*Private issuer*];

(d) section 3.7 [*Founder, control person and family - Ontario*];

(e) section 3.10 [*Minimum amount investment*];

(f) section 3.11 [*Business combination and reorganization*];

(g) section 3.12 [*Asset acquisition*];

(h) section 3.14 [*Securities for debt*];

(i) section 3.15 [*Issuer acquisition or redemption*];

(j) section 3.16 [*Take-over bid and issuer bid*];

(k) section 3.17 [*Offer to acquire to security holder outside local jurisdiction*];

(l) section 3.19 [*Additional investment in investment funds*];

(m) section 3.21 [*Private investment fund - loan and trust pools*];

(n) section 3.29 [*Isolated trade*];

(o) section 3.30 [*Isolated trade by issuer*];

(p) section 3.31 [*Dividends and distributions*];

(q) section 3.33 [*Acting as underwriter*];

(r) section 3.34 [*Specified debt*];

(s) section 3.35 [*Short-term debt*];

(t) section 3.39 [*Variable insurance contract*];

(u) section 3.42 [*Conversion, exchange, or exercise*];

(v) section 3.44 [*Registered dealer*].

(2) Subsection (1) does not apply in respect of a trade in a security by a lawyer or accountant if the trade is incidental to the principal business of that lawyer or accountant.

Division 1: Capital Raising Exemptions

Rights offering

3.1 The dealer registration requirement does not apply in respect of a trade by an issuer in a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer if:

(a) the issuer has given the regulator or, in Québec, the securities regulatory authority, prior written notice stating the date, amount, nature and conditions of the trade, including the approximate net proceeds to be derived by the issuer on the basis of the additional securities being fully taken up;

(b) the regulator or, in Québec, the securities regulatory authority, has not objected in writing to the trade within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator or securities regulatory authority objects to the trade, the issuer has delivered to the regulator or securities regulatory authority information relating to the securities that is satisfactory to and accepted by the regulator or securities regulatory authority; and

(c) the issuer has complied with the applicable requirements of National Instrument 45-101 *Rights Offerings*.

Reinvestment plan

3.2(1) Subject to subsections (3), (4) and (5), the dealer registration requirement does not apply in respect of the following trades by an issuer, or by a trustee, custodian or administrator acting for or on behalf of the issuer, to a security holder of the issuer if the trades are permitted by a plan of the issuer:

(a) a trade in a security of the issuer's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the issuer's securities is applied to the purchase of the security; and

(b) subject to subsection (2), a trade in a security of the issuer's own issue if the security holder makes an optional cash payment to purchase the security of the issuer that trades on a marketplace.

(2) Subsection (1) does not apply unless the aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) does not exceed, in the financial year of the issuer during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits the trades described in subsection (1)(a) or (b) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) Subsection (1) does not apply to a trade in a security of an investment fund.

(5) Subject to section 8.3.1, if the security traded under a plan described in subsection (1) is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator must have provided to each participant that is eligible to receive a security under the plan either a description of the material attributes and characteristics of the security traded under the plan or notice of a source from which the participant can obtain the information without charge.

Accredited investor

3.3(1) The dealer registration requirement does not apply in respect of a trade in a security if the purchaser purchases the security as principal and is an accredited investor.

(2) Subject to subsection (3), for the purpose of this section, a trust company or trust corporation described in paragraph (p) of the definition of "accredited investor" in section 1.1 [*Definitions*] is deemed to be purchasing as principal.

(3) Subsection (2) does not apply to a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada.

(4) For the purpose of this section, a person described in paragraph (q) of the definition of "accredited investor" in section 1.1 [*Definitions*] is deemed to be purchasing as principal.

(5) This section does not apply to a trade in a security to a person if the person was created, or is used, solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in section 1.1 [*Definitions*].

Private issuer

3.4(1) In this section:

"private issuer" means an issuer:

(a) that is not a reporting issuer or an investment fund;

(b) the securities of which, other than non-convertible debt securities:

(i) are subject to restrictions on transfer that are contained in the issuer's constating documents or security holders" agreements; and

(ii) are beneficially owned by not more than 50 persons, not including employees and former employees of the issuer or its affiliates, provided that each person is counted as one beneficial owner unless the person is created or used solely to purchase or hold securities of the issuer in which case each beneficial owner or each beneficiary of the person, as the case may be, must be counted as a separate beneficial owner; and

(c) that:

(i) has distributed its securities only to persons described in subsection (2); or

(ii) has completed a transaction and immediately following the completion of the transaction, its securities were beneficially owned only by persons described in subsection (2) and since the completion of the transaction has distributed its securities only to persons described in subsection (2).

(2) The dealer registration requirement does not apply in respect of a trade in a security of a private issuer to a person who purchases the security as principal and is:

(a) a director, officer, employee, founder or control person of the issuer;

(b) a director, officer or employee of an affiliate of the issuer;

(c) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the issuer;

(d) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the issuer;

(e) a close personal friend of a director, executive officer, founder or control person of the issuer;

(f) a close business associate of a director, executive officer, founder or control person of the issuer;

(g) a spouse, parent, grandparent, brother, sister, child or grandchild of the selling security holder or of the selling security holder's spouse;

(h) a security holder of the issuer;

(i) an accredited investor;

(j) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (i);

(k) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (i); or

(l) a person that is not the public.

(3) Except for a trade to an accredited investor, no commission or finder's fee may be paid to any director, officer, founder or control person of an issuer in connection with a trade under subsection (2).

Family, friends and business associates

3.5(1) Except in Ontario and subject to section 3.6 [*Family, friends and business associates - Saskatchewan*], the dealer registration requirement does not apply in respect of a trade in a security to a person who purchases the security as principal and is:

(a) a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(c) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the issuer or of an affiliate of the issuer;

(d) a close personal friend of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(e) a close business associate of a director, executive officer or control person of the issuer, or of an affiliate of the issuer;

(f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the issuer;

(g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the issuer;

(h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g); or

(i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g).

(2) No commission or finder's fee may be paid to any director, officer, founder, or control person of an issuer or an affiliate of the issuer in connection with a trade under subsection (1).

Family, friends and business associates - Saskatchewan

3.6(1) In Saskatchewan, section 3.5 [*Family, friends and business associates*] does not apply unless the person making the trade obtains a signed risk acknowledgement from the purchaser in the required form for a trade to:

(a) a person described in section 3.5(1) (d) or (e) [*Family, friends and business associates*];

(b) a close personal friend or close business associate of a founder of the issuer; or

(c) a person described in section 3.5(1)(h) or (i) [*Family, friends and business associates*] if the trade is based in whole or in part on a close personal friendship or close business association.

(2) The person making the trade must retain the required form referred to in subsection (1) for 8 years after the trade.

Founder, control person and family - Ontario

3.7 In Ontario, the dealer registration requirement does not apply in respect of a trade in a security to a person who purchases the security as principal and is:

(a) a founder of the issuer;

(b) an affiliate of a founder of the issuer;

(c) a spouse, parent, brother, sister, grandparent, grandchild or child of an executive officer, director or founder of the issuer; or

(d) a person that is a control person of the issuer.

Affiliates

3.8 The dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue to an affiliate of the issuer that is purchasing as principal.

Offering memorandum

3.9(1) In British Columbia, New Brunswick, Nova Scotia and Newfoundland and Labrador, the dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue to a purchaser if:

(a) the purchaser purchases the security as principal; and

(b) at the same time or before the purchaser signs the agreement to purchase the security, the issuer:

(i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13); and

(ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15).

(2) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, the dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue to a purchaser if:

(a) the purchaser purchases the security as principal;

(b) the purchaser is an eligible investor or the acquisition cost to the purchaser does not exceed $10,000;

(c) at the same time or before the purchaser signs the agreement to purchase the security, the issuer:

(i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13); and

(ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15); and

(d) if the issuer is an investment fund, the investment fund is:

(i) a non-redeemable investment fund; or

(ii) a mutual fund that is a reporting issuer.

(3) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, this section does not apply to a trade in a security to a person described in paragraph (a) of the definition of "eligible investor" in section 1.1 [*Definitions*] if that person was created, or is used, solely to purchase or hold securities in reliance on an exemption from the dealer registration requirement set out in subsection (2).

(4) No commission or finder's fee may be paid to any person, other than a registered dealer, in connection with a trade to a purchaser in Northwest Territories, Nunavut, Saskatchewan and Yukon under subsection (2).

(5) An offering memorandum delivered under this section must be in the required form.

(6) If the securities legislation where the purchaser is resident does not provide a comparable right, an offering memorandum delivered under this section must provide the purchaser with a contractual right to cancel the agreement to purchase the security by delivering a notice to the issuer not later than midnight on the 2nd business day after the purchaser signs the agreement to purchase the security.

(7) If the securities legislation where the purchaser is resident does not provide statutory rights of action in the event of a misrepresentation in an offering memorandum delivered under this section, the offering memorandum must contain a contractual right of action against the issuer for rescission or damages that:

(a) is available to the purchaser if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation;

(b) is enforceable by the purchaser delivering a notice to the issuer:

(i) in the case of an action for rescission, within 180 days after the purchaser signs the agreement to purchase the security; or

(ii) in the case of an action for damages, before the earlier of:

(A) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action; or

(B) 3 years after the date the purchaser signs the agreement to purchase the security;

(c) is subject to the defence that the purchaser had knowledge of the misrepresentation;

(d) in the case of an action for damages, provides that the amount recoverable:

(i) must not exceed the price at which the security was offered; and

(ii) does not include all or any part of the damages that the issuer proves does not represent the depreciation in value of the security resulting from the misrepresentation; and

(e) is in addition to, and does not detract from, any other right of the purchaser.

(8) An offering memorandum delivered under this section must contain a certificate that states the following:

"This offering memorandum does not contain a misrepresentation".

(9) If the issuer is a company, a certificate under subsection (8) must be signed:

(a) by the issuer's chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, an individual acting in that capacity;

(b) on behalf of the directors of the issuer by:

(i) any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a); or

(ii) all the directors of the issuer; and

(c) by each promoter of the issuer.

(10) If the issuer is a trust, a certificate under subsection (8) must be signed by:

(a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company; and

(b) each trustee and the manager of the issuer.

(10.1) If a trustee or the manager that is signing the certificate of the issuer is:

(a) an individual, the individual must sign the certificate;

(b) a company, the certificate must be signed:

(i) by the chief executive officer and the chief financial officer of the trustee or the manager; and

(ii) on behalf of the board of directors of the trustee or the manager, by:

(A) any two directors of the trustee or the manager, other than the persons referred to in subparagraph (i); or

(B) all of the directors of the trustee or the manager;

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership as described in subsection (11.1) in relation to an issuer that is a limited partnership; or

(d) not referred to in paragraphs (a), (b) or (c), the certificate may be signed by any person or company with authority to act on behalf of the trustee or the manager.

(10.2) Despite subsections (10) and (10.1), if the issuer is an investment fund and the declaration of trust, trust indenture or trust agreement establishing the investment fund delegates the authority to do so, or otherwise authorizes an individual or company to do so, the certificate may be signed by the individual or company to whom the authority is delegated or that is authorized to sign the certificate.

(10.3) Despite subsections (10) and (10.1), if the trustees of an issuer, other than an investment fund, do not perform functions for the issuer similar to those performed by the directors of a company, the trustees are not required to sign the certificate of the issuer provided that at least two individuals who do perform functions for the issuer similar to those performed by the directors of a company sign the certificate.

(11) If the issuer is a limited partnership, a certificate under subsection (8) must be signed by:

(a) each individual who performs a function for the issuer similar to any of those performed by the chief executive officer or the chief financial officer of a company; and

(b) each general partner of the issuer.

(11.1) If a general partner of the issuer is:

(a) an individual, the individual must sign the certificate;

(b) a company, the certificate must be signed:

(i) by the chief executive officer and the chief financial officer of the general partner; and

(ii) on behalf of the board of directors of the general partner, by:

(A) any two directors of the general partner, other than the persons referred to in subparagraph (i); or

(B) all of the directors of the general partner;

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership and, for greater certainty, this subsection applies to each general partner required to sign;

(d) a trust, the certificate must be signed by the trustees of the general partner as described in subsection 10 in relation to an issuer that is a trust; or

(e) not referred to in paragraphs (a) to (d), the certificate may be signed by any person or company with authority to act on behalf of the general partner.

(12) If an issuer is not a company, trust or limited partnership, a certificate under subsection (8) must be signed by the persons that, in relation to the issuer, are in a similar position or perform a similar function to any of the persons referred to in subsections (9), (10), (10.1), (10.2), (10.3), (11) and (11.1).

(13) A certificate under subsection (8) must be true:

(a) at the date the certificate is signed; and

(b) at the date the offering memorandum is delivered to the purchaser.

(14) If a certificate under subsection (8) ceases to be true after it is delivered to the purchaser, the issuer cannot accept an agreement to purchase the security from the purchaser unless:

(a) the purchaser receives an update of the offering memorandum;

(b) the update of the offering memorandum contains a newly dated certificate signed in compliance with subsection (9), (10), (10.1), (10.2), (10.3), (11) or (11.1); and

(c) the purchaser re-signs the agreement to purchase the security.

(15) A risk acknowledgement under subsection (1) or (2) must be in the required form and an issuer relying on subsection (1) or (2) must retain the signed risk acknowledgment for 8 years after the trade.

(16) The issuer must:

(a) hold in trust all consideration received from the purchaser in connection with a trade in a security under subsection (1) or (2) until midnight on the 2nd business day after the purchaser signs the agreement to purchase the security; and

(b) return all consideration to the purchaser promptly if the purchaser exercises the right to cancel the agreement to purchase the security described under subsection (6).

(17) The issuer must file a copy of an offering memorandum delivered under this section and any update of a previously filed offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or update of the offering memorandum.

(18) If a qualifying issuer uses a form of offering memorandum that allows the qualifying issuer to incorporate previously filed information into the offering memorandum by reference, the qualifying issuer is exempt from the requirement under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* to file a technical report to support scientific or technical information about the qualifying issuer's mineral project in the offering memorandum or incorporated by reference into the offering memorandum if the information about the mineral project is contained in a previously filed technical report under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

Minimum amount investment

3.10(1) The dealer registration requirement does not apply in respect of a trade in a security to a person if:

(a) that person purchases as principal;

(b) the security has an acquisition cost to the purchaser of not less than $150,000 paid in cash at the time of the trade; and

(c) the trade is in a security of a single issuer.

(2) Subsection (1) does not apply to a trade in a security to a person if the person was created, or is used, solely to purchase or hold securities in reliance on the exemption from the dealer registration requirement set out in subsection (1).

Division 2: Transaction Exemptions

Business combination and reorganization

3.11 The dealer registration requirement does not apply in respect of a trade in a security in connection with:

(a) an amalgamation, merger, reorganization or arrangement that is under a statutory procedure;

(b) an amalgamation, merger, reorganization or arrangement that:

(i) is described in an information circular made pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* or in a similar disclosure record and the information circular or similar disclosure record is delivered to each security holder whose approval of the amalgamation, merger, reorganization or arrangement is required before it can proceed; and

(ii) is approved by the security holders referred to in subparagraph (i); or

(c) a dissolution or winding-up of the issuer.

Asset acquisition

3.12 The dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue to a person as consideration for the acquisition, directly or indirectly, of the assets of the person, if those assets have a fair value of not less than $150,000.

Petroleum, natural gas and mining properties

3.13 The dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue as consideration for the acquisition, directly or indirectly, of petroleum, natural gas or mining properties or any interest in them.

Securities for debt

3.14 The dealer registration requirement does not apply in respect of a trade by a reporting issuer in a security of its own issue to a creditor to settle a bona fide debt of that reporting issuer.

Issuer acquisition or redemption

3.15 The dealer registration requirement does not apply in respect of a trade in a security to the issuer of the security.

Take-over bid and issuer bid

3.16 The dealer registration requirement does not apply in respect of a trade in a security in connection with a take-over bid in a jurisdiction of Canada or an issuer bid in a jurisdiction of Canada.

Offer to acquire to security holder outside local jurisdiction

3.17 The dealer registration requirement does not apply in respect of a trade by a security holder outside the local jurisdiction to a person in the local jurisdiction if the trade would have been in connection with a take-over bid or issuer bid made by that person were it not for the fact that the security holder is outside of the local jurisdiction.

Division 3: Investment Fund Exemptions

Investment fund reinvestment

3.18(1) Subject to subsections (3), (4), (5) and (6), the dealer registration requirement does not apply in respect of the following trades by an investment fund, and the investment fund manager of the fund, to a security holder of the investment fund if the trades are permitted by a plan of the investment fund:

(a) a trade in a security of the investment fund's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities is applied to the purchase of the security that is of the same class or series as the securities to which the dividend or distribution out of earnings, surplus, capital or other sources is attributable; and

(b) subject to subsection (2), a trade in a security of the investment fund's own issue if the security holder makes an optional cash payment to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (a) that trade on a marketplace.

(2) The aggregate number of securities issued under the optional cash payment referred to in subsection (1) (b) must not exceed, in any financial year of the investment fund during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits the trades described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) A person must not charge a fee for a trade described in subsection (1).

(5) An investment fund that is a reporting issuer and in continuous distribution must set out in its current prospectus:

(a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security;

(b) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund; and

(c) instructions on how the right referred to in paragraph (b) can be exercised.

(6) An investment fund that is a reporting issuer and is not in continuous distribution must provide the information required by subsection (5) in its prospectus, annual information form or a material change report.

Additional investment in investment funds

3.19 The dealer registration requirement does not apply in respect of a trade by an investment fund, or the investment fund manager of the fund, in a security of the investment fund's own issue with a security holder of the investment fund if:

(a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than $150,000 paid in cash at the time of the trade;

(b) the trade is in respect of a security of the same class or series as the securities initially acquired, as described in paragraph (a); and

(c) the security holder, as at the date of the trade, holds securities of the investment fund that have:

(i) an acquisition cost of not less than $150,000; or

(ii) a net asset value of not less than $150,000.

Private investment club

3.20 The dealer registration requirement does not apply in respect of a trade in a security of an investment fund if the investment fund:

(a) has no more than 50 beneficial security holders;

(b) does not seek and has never sought to borrow money from the public;

(c) does not distribute and has never distributed its securities to the public;

(d) does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees; and

(e) for the purpose of financing the operations of the investment fund, requires security holders to make contributions in proportion to the value of the securities held by them.

Private investment fund - loan and trust pools

3.21(1) Subject to subsection (2), the dealer registration requirement does not apply in respect of a trade in a security of an investment fund if the investment fund:

(a) is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) has no promoter or investment fund manager other than the trust company or trust corporation referred to in paragraph (a); and

(c) co-mingles the money of different estates and trusts for the purpose of facilitating investment.

(2) A trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of subparagraph (1)(a).

(3) The investment fund manager registration requirement does not apply to a trust company or trust corporation that administers an investment fund referred to in subsection (1).

Division 4: Employee, Executive Officer, Director and Consultant Exemptions

Definitions

3.22 The definitions in Division 4 of Part 2 of this Instrument have the same meaning in this Division.

Interpretation

3.23(1) In this Division, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of:

(a) ownership of or direction over voting securities in the second person;

(b) a written agreement or indenture;

(c) being the general partner or controlling the general partner of the second person; or

(d) being a trustee of the second person.

(2) In this Division, participation in a trade is considered voluntary if:

(a) in the case of an employee or the employee's permitted assign, the employee or the employee's permitted assign is not induced to participate in the trade by expectation of employment or continued employment of the employee with the issuer or a related entity of the issuer;

(b) in the case of an executive officer or the executive officer's permitted assign, the executive officer or the executive officer's permitted assign is not induced to participate in the trade by expectation of appointment, employment, continued appointment or continued employment of the executive officer with the issuer or a related entity of the issuer;

(c) in the case of a consultant or the consultant's permitted assign, the consultant or the consultant's permitted assign is not induced to participate in the trade by expectation of engagement of the consultant to provide services or continued engagement of the consultant to provide services to the issuer or a related entity of the issuer; and

(d) in the case of an employee of a consultant, the individual is not induced by the issuer, a related entity of the issuer, or the consultant to participate in the trade by expectation of employment or continued employment with the consultant.

Employee, executive officer, director and consultant

3.24(1) Subject to section 3.25 [*Unlisted reporting issuer exception*], the dealer registration requirement does not apply in respect of:

(a) a trade by an issuer in a security of its own issue; or

(b) a trade by a control person of an issuer in a security of the issuer or in an option to acquire a security of the issuer;

with:

(c) an employee, executive officer, director or consultant of the issuer;

(d) an employee, executive officer, director or consultant of a related entity of the issuer; or

(e) a permitted assign of a person referred to in paragraphs (c) or (d);

if participation in the trade is voluntary.

(2) For the purposes of subsection (1), a person referred to in paragraph (c), (d) or (e) includes a trustee, custodian or administrator acting as agent for that person for the purpose of facilitating a trade.

(3) The dealer registration requirement does not apply in respect of an act by a related entity of an issuer in furtherance of a trade referred to in subsection (1).

Unlisted reporting issuer exception

3.25(1) For the purpose of this section, **"unlisted reporting issuer"** means a reporting issuer in a jurisdiction of Canada that is not a listed issuer.

(2) Subject to subsection (3), section 3.24 [*Employee, executive officer, director and consultant*] does not apply to a trade to an employee or consultant of the unlisted reporting issuer who is an investor relations person of the issuer, an associated consultant of the issuer, an executive officer of the issuer, a director of the issuer, or a permitted assign of those persons if, after the trade:

(a) the number of securities, calculated on a fully diluted basis, reserved for issuance under options granted to:

(i) related persons, exceeds 10% of the outstanding securities of the issuer; or

(ii) a related person, exceeds 5% of the outstanding securities of the issuer; or

(b) the number of securities, calculated on a fully diluted basis, issued within 12 months to:

(i) related persons, exceeds 10% of the outstanding securities of the issuer; or

(ii) a related person and the associates of the related person, exceeds 5% of the outstanding securities of the issuer.

(3) Subsection (2) does not apply to a trade if the unlisted reporting issuer:

(a) obtains security holder approval; and

(b) before obtaining security holder approval, provides security holders with the following information in sufficient detail to permit security holders to form a reasoned judgment concerning the matter:

(i) the eligibility of employees, executive officers, directors, and consultants to be issued or granted securities as compensation or under a plan;

(ii) the maximum number of securities that may be issued, or in the case of options, the number of securities that may be issued on exercise of the options, as compensation or under a plan;

(iii) particulars relating to any financial assistance or support agreement to be provided to participants by the issuer or any related entity of the issuer to facilitate the purchase of securities as compensation or under a plan, including whether the assistance or support is to be provided on a full-, part-, or non-recourse basis;

(iv) in the case of options, the maximum term and the basis for the determination of the exercise price;

(v) particulars relating to the options or other entitlements to be granted as compensation or under a plan, including transferability;

(vi) the number of votes attaching to securities that, to the issuer's knowledge at the time the information is provided, will not be included for the purpose of determining whether security holder approval has been obtained.

Trades among current or former employees, executive officers, directors, or consultants of non-reporting issuer

3.26(1) Subject to subsection (2), the dealer registration requirement does not apply in respect of a trade in a security of an issuer by:

(a) a current or former employee, executive officer, director, or consultant of the issuer or related entity of the issuer; or

(b) a permitted assign of a person referred to in paragraph (a);

to:

(c) an employee, executive officer, director, or consultant of the issuer or a related entity of the issuer; or

(d) a permitted assign of the employee, executive officer, director, or consultant.

(2) The exemption in subsection (1) is only available if:

(a) participation in the trade is voluntary;

(b) the issuer of the security is not a reporting issuer in any jurisdiction of Canada; and

(c) the price of the security being traded is established by a generally applicable formula contained in a written agreement among some or all of the security holders of the issuer to which the transferee is or will become a party.

Permitted transferees

3.27(1) The dealer registration requirement does not apply in respect of a trade in a security of an issuer acquired by a person described in section 3.24(1) [*Employee, executive officer, director and consultant*] under a plan of the issuer if the trade:

(a) is between:

(i) a person who is an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; and

(ii) the permitted assign of that person; or

(b) is between permitted assigns of that person.

(2) The dealer registration requirement does not apply in respect of a trade in a security of an issuer by a trustee, custodian or administrator acting on behalf, or for the benefit, of employees, executive officers, directors or consultants of the issuer or a related entity of the issuer, to:

(a) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; or

(b) a permitted assign of a person referred to in paragraph (a);

if the security was acquired from:

(c) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer; or

(d) the permitted assign of a person referred to in paragraph (c).

(3) For the purposes of the exemptions in subsection (1) and paragraphs (2) (c) and (d), all references to employee, executive officer, director, or consultant include a former employee, executive officer, director, or consultant.

Resale - non-reporting issuer

3.28 The dealer registration requirement does not apply in respect of the resale of a security that was acquired under this Division or by a person described in section 3.24(1) [*Employee, executive officer, director, and consultant*] if the conditions in section 2.14 of National Instrument 45-102 *Resale of Securities* are satisfied.

Division 5: Miscellaneous Exemptions

Isolated trade

3.29 The dealer registration requirement does not apply in respect of a trade in a security by a person if the trade is an isolated trade and is not made:

(a) by the issuer of the security;

(b) in the course of continued and successive transactions of a like nature; and

(c) by a person whose usual business is trading in securities.

Isolated trade by issuer

3.30 The dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue if the trade is an isolated trade and is not made:

(a) in the course of continued and successive transactions of a like nature; and

(b) by a person whose usual business is trading in securities.

Dividends and distributions

3.31(1) The dealer registration requirement does not apply in respect of a trade by an issuer in a security of its own issue to a security holder of the issuer as a dividend or distribution out of earnings, surplus, capital or other sources.

(2) The dealer registration requirement does not apply in respect of a trade by an issuer to a security holder of the issuer in a security of a reporting issuer as an in specie dividend or distribution out of earnings or surplus.

Trade to lender by control person for collateral

3.32 The dealer registration requirement does not apply in respect of a trade in a security of an issuer to a lender, pledgee, mortgagee or other encumbrancer from the holdings of a control person of the issuer for the purpose of giving collateral for a bona fide debt of the control person.

Acting as underwriter

3.33 The dealer registration requirement does not apply in respect of a trade in a security between a person and a purchaser acting as an underwriter or between or among persons acting as underwriters.

Specified debt

3.34(1) In this section, **"permitted supranational agency"** means:

(a) the African Development Bank, established by the Agreement Establishing the African Development Bank which came into force on September 10, 1964, that Canada became a member of on December 30, 1982;

(b) the Asian Development Bank, established under a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;

(c) the Caribbean Development Bank, established by the Agreement Establishing the Caribbean Development Bank which came into force on January 26, 1970, as amended, that Canada is a founding member of;

(d) the European Bank for Reconstruction and Development, established by the Agreement Establishing the European Bank for Reconstruction and Development and approved by the *European Bank for Reconstruction and Development Agreement Act* (Canada), that Canada is a founding member of;

(e) the Inter-American Development Bank, established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, that Canada is a member of;

(f) the International Bank for Reconstruction and Development, established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada); and

(g) the International Finance Corporation, established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada).

(2) The dealer registration requirement does not apply in respect of a trade in:

(a) a debt security issued by or guaranteed by the Government of Canada or the government of a jurisdiction of Canada;

(b) a debt security issued by or guaranteed by a government of a foreign jurisdiction if the debt security has an approved credit rating from an approved credit rating organization;

(c) a debt security issued by or guaranteed by a municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectable by or through the municipality in which the property is situated;

(d) a debt security issued by or guaranteed by a Canadian financial institution or a Schedule III bank, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities;

(e) a debt security issued by the Comité de gestion de la taxe scolaire de l"île de Montréal; or

(f) a debt security issued by or guaranteed by a permitted supranational agency if the debt securities are payable in the currency of Canada or the United States of America.

(3) Paragraphs (2)(a) and (c) do not apply in Ontario.

In Ontario, paragraphs 35(1)1 and 35(1)2 of the *Securities Act* (Ontario) provide similar exemptions as the exemptions in paragraphs (2)(a) and (c).

Short-term debt

3.35 The dealer registration requirement does not apply in respect of a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue, if the note or commercial paper traded:

(a) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in this section; and

(b) has an approved credit rating from an approved credit rating organization.

Mortgages

3.36(1) In this section, **"syndicated mortgage"** means a mortgage in which 2 or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage.

(2) Except in Ontario, and subject to subsection (3), the dealer registration requirement does not apply in respect of a trade in a mortgage on real property in a jurisdiction of Canada by a person who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

(3) In Alberta, British Columbia, Manitoba, Québec and Saskatchewan, subsection (2) does not apply in respect of a trade in a syndicated mortgage.

In Ontario, subsection 35(4) of the *Securities Act* (Ontario) provides a similar exemption.

Personal property security legislation

3.37 Except in Ontario, the dealer registration requirement does not apply in respect of a trade to a person, other than an individual, in a security evidencing indebtedness secured by or under a security agreement, secured in accordance with personal property security legislation of a jurisdiction of Canada that provides for the granting of security in personal property.

In Ontario, subsection 35(2) of the *Securities Act* (Ontario) provides a similar exemption.

Not for profit issuer

3.38 The dealer registration requirement does not apply in respect of a trade by an issuer that is organized exclusively for educational, benevolent, fraternal, charitable, religious or recreational purposes and not for profit in a security of its own issue if:

(a) no part of the net earnings benefit any security holder of the issuer; and

(b) no commission or other remuneration is paid in connection with the sale of the security.

Variable insurance contract

3.39(1) In this section:

(a) **"contract"**, **"group insurance"**, **"insurance company"**, **"life insurance"** and **"policy"** have the respective meanings assigned to them in the legislation for a jurisdiction referenced in Appendix A;

(b) **"variable insurance contract"** means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

(2) The dealer registration requirement does not apply in respect of a trade in a variable insurance contract by an insurance company if the variable insurance contract is:

(a) a contract of group insurance;

(b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity;

(c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds; or

(d) a variable life annuity.

RRSP/RRIF/TFSA

3.40 The dealer registration requirement does not apply in respect of a trade in a security between:

(a) an individual or an associate of the individual; and

(b) a RRSP, RRIF, or TFSA:

(i) established for or by the individual; or

(ii) under which the individual is a beneficiary.

Schedule III banks and cooperative associations - evidence of deposit

3.41 Except in Ontario, the dealer registration requirement does not apply in respect of a trade in an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

In Ontario, clause (e) of the definition of "security" in subsection 1(1) of the *Securities Act* (Ontario) excludes these evidences of deposit from the definition of "security

Conversion, exchange, or exercise

3.42(1) The dealer registration requirement does not apply in respect of a trade by an issuer if:

(a) the issuer trades a security of its own issue to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer; or

(b) subject to subsection (2), the issuer trades a security of a reporting issuer held by it to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer.

(2) Subsection (1)(b) does not apply unless:

(a) the issuer has given the regulator or, in Québec, the securities regulatory authority, prior written notice stating the date, amount, nature and conditions of the trade; and

(b) the regulator or, in Québec, the securities regulatory authority, has not objected in writing to the trade within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator or securities regulatory authority objects to the trade, the issuer must deliver to the regulator or securities regulatory authority information relating to the securities that is satisfactory to and accepted by the regulator or securities regulatory authority.

Self-directed registered educational savings plans

3.43 The dealer registration requirement does not apply to a trade in a self-directed RESP to a subscriber if:

(a) the trade is made by:

(i) a dealing representative of a mutual fund dealer who is acting on behalf of the mutual fund dealer;

(ii) a Canadian financial institution; or

(iii) in Ontario, a financial intermediary; and

(b) the self-directed RESP restricts its investments in securities to securities in which the person who trades the self-directed RESP is permitted to trade.

Registered dealer

3.44 The dealer registration requirement does not apply in respect of a trade by a person acting solely through an agent who is a registered dealer.

Exchange contract

3.45(1) In Alberta, British Columbia, Québec and Saskatchewan, the dealer registration requirement does not apply in respect of the following trades in exchange contracts:

(a) a trade by a person acting solely through a registered dealer;

(b) subject to subsection (2) and (3), a trade resulting from an unsolicited order placed with an individual who is not a resident of and does not carry on business in the jurisdiction;

(c) a trade that may occasionally be transacted by employees of a registered dealer if the employees:

(i) do not usually trade in exchange contracts; and

(ii) have been designated by the regulator or, in Québec, the securities regulatory authority, as “non-trading” employees, either individually or as a class.

(2) An individual referred to in subsection (1)(b) must not:

(a) advertise or engage in promotional activity that is directed to persons in the jurisdiction during the 6 months preceding the trade; and

(b) pay any commission or finder's fee to any person in the jurisdiction in connection with the trade.

(3) Subsection (1)(b) does not apply in Saskatchewan.

Estates, bankruptcies, and liquidations

3.46 The dealer registration requirement does not apply in respect of a trade by a person acting under the authority of:

(a) a direction, order or judgment of a court;

(b) a will; or

(c) any law of a jurisdiction;

in the course of enforcing legal obligations or administering the affairs of another person.

Employees of registered dealer

3.47 The dealer registration requirement does not apply in respect of a trade by an employee of a registered dealer in a security if the employee does not usually trade in securities and has been designated or accepted by the regulator or, in Québec, the securities regulatory authority, as a "non-trading" employee, either individually or as a class.

Small security holder selling and purchase arrangements

3.48(1) For the purposes of this section:

"exchange" means:

(a) TSX Inc.;

(b) the TSX Venture Exchange Inc.; or

(c) an exchange that:

(i) has a policy that is substantially similar to the policy of the TSX Inc.; and

(ii) is designated by the securities regulatory authority for the purpose of this section;

"policy" means:

(a) in the case of the TSX Inc., sections 638 and 639 [*Odd lot selling and purchase arrangements*] of the TSX Company Manual as amended from time to time;

(b) in the case of the TSX Venture Exchange Inc., Policy 5.7 Small Shareholder Selling and Purchase Arrangements as amended from time to time; or

(c) in the case of an exchange referred to in paragraph (c) of the definition of "exchange", the rule, policy or other similar instrument of the exchange on small shareholder selling and purchase arrangements.

(2) The dealer registration requirement does not apply in respect of a trade by an issuer or its agent, in securities of the issuer that are listed on an exchange if:

(a) the trade is an act in furtherance of participation by the holders of the securities in an arrangement that is in accordance with the policy of that exchange;

(b) the issuer and its agent do not provide advice to a security holder about the security holder's participation in the arrangement referred to in paragraph (a), other than a description of the arrangement's operation, procedures for participation in the arrangement, or both;

(c) the trade is made in accordance with the policy of that exchange, without resort to an exemption from, or variation of, the significant subject matter of the policy; and

(d) at the time of the trade after giving effect to a purchase under the arrangement, the market value of the maximum number of securities that a security holder is permitted to hold in order to be eligible to participate in the arrangement is not more than $25,000.

(3) For the purposes of subsection (2)(c), an exemption from, or variation of, the maximum number of securities that a security holder is permitted to hold under a policy in order to be eligible to participate in the arrangement provided for in the policy is not an exemption from, or variation of, the significant subject matter of the policy.

Adviser

3.49 The adviser registration requirement does not apply to:

(a) the following persons if performance of services as an adviser are incidental to their principal business or occupation:

(i) a Canadian financial institution and a Schedule III bank;

(ii) the Business Development Bank of Canada continued under the *Business Development Bank of Canada Act* (Canada);

(iii) a société d"entraide économique or the Fédération des sociétés d"entraide économique du Québec governed by the Act respecting the sociétés d"entraide économique (Québec);

(iv) a lawyer, accountant, engineer or teacher, or, in Québec, a notary, if that individual:

(A) does not recommend securities of an issuer in which that individual has an interest; and

(B) does not receive remuneration for the performance of services as an adviser separate from remuneration received by that individual for practising in their professions;

(v) a registered dealer or any partner, officer or employee of a registered dealer; or

(b) a publisher or a writer for a newspaper, news magazine or business or financial journal or periodical, however delivered, that is of general and regular paid circulation, and only available to subscribers for value, or purchasers of it, if the publisher or writer:

(i) gives advice only through the written publication;

(ii) has no interest either directly or indirectly in any of the securities on which that individual gives advice; and

(iii) receives no commission or other consideration for giving the advice other than for acting in that person's capacity as a publisher or writer.

Investment dealer acting as portfolio manager

3.50(1) Subject to subsection (2), the adviser registration requirement does not apply to a registered investment dealer who manages the investment portfolios of its clients through discretionary authority granted by the clients if the investment dealer is a member of the Investment Industry Regulatory Organization of Canada and the advising activities are conducted in accordance with the rules of the Investment Industry Regulatory Organization of Canada.

(2) Any partner, director, officer or employee of a registered investment dealer referred to in subsection (1) who manages an investment portfolio for the registered investment dealer must be registered under the securities legislation of the jurisdiction to trade in securities.

PART 4: CONTROL BLOCK DISTRIBUTIONS

Control block distributions

4.1(1) In this Part, **"control block distribution"** means a trade to which the provisions of securities legislation listed in Appendix B apply.

(2) Terms defined or interpreted in National Instrument 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues* and used in this Part have the same meaning as is assigned to them in that Instrument.

(3) The prospectus requirement does not apply to a control block distribution by an eligible institutional investor of a reporting issuer's securities if:

(a) the eligible institutional investor:

(i) has filed the reports required under the early warning requirements or files the reports required under Part 4 of National Instrument 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues*;

(ii) does not have knowledge of any material fact or material change with respect to the reporting issuer that has not been generally disclosed;

(iii) does not receive in the ordinary course of its business and investment activities knowledge of any material fact or material change with respect to the reporting issuer that has not been generally disclosed; and

(iv) either alone or together with any joint actors, does not possess effective control of the reporting issuer;

(b) there are no directors or officers of the reporting issuer who were, or could reasonably be seen to have been, selected, nominated or designated by the eligible institutional investor or any joint actor;

(c) the control block distribution is made in the ordinary course of business or investment activity of the eligible institutional investor;

(d) securities legislation would not require the securities to be held for a specified period of time if the trade were not a control block distribution;

(e) no unusual effort is made to prepare the market or to create a demand for the securities; and

(f) no extraordinary commission or consideration is paid in respect of the control block distribution.

(4) An eligible institutional investor that makes a distribution in reliance on subsection (3) must file a letter within 10 days after the distribution that describes the date and size of the distribution, the market on which it was made and the price at which the securities being distributed were sold.

Distributions by a control person after a take-over bid

4.2(1) Subject to subsection (2), the prospectus requirement does not apply to a distribution in a security from the holdings of a control person acquired under a take-over bid for which a take-over bid circular was issued and filed if:

(a) the issuer whose securities are being acquired under the take-over bid has been a reporting issuer for at least 4 months at the date of the take-over bid;

(b) the intention to make the distribution is disclosed in the take-over bid circular issued in respect of the take-over bid;

(c) the distribution is made within the period beginning on the date of the expiry of the bid and ending 20 days after that date;

(d) a notice of intention to distribute securities in Form 45-102F1 *Notice of Intention to Distribute Securities under Section 2.8 of NI 45-102 Resale of Securities* under National Instrument 45-102 *Resale of Securities* is filed before the distribution;

(e) an insider report of the distribution in Form 55-102F2 *Insider Report* or Form 55-102F6 *Insider Report*, as applicable, under National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* is filed within 3 days after the completion of the distribution;

(f) no unusual effort is made to prepare the market or to create a demand for the security; and

(g) no extraordinary commission or consideration is paid in respect of the distribution.

(2) A control person referred to in subsection (1) is not required to comply with subsection (1)(b) if:

(a) another person makes a competing take-over bid for securities of the issuer for which the take-over bid circular is issued; and

(b) the control person sells those securities to that other person for a consideration that is not greater than the consideration offered by that other person under its take-over bid.

PART 5: OFFERINGS BY TSX VENTURE EXCHANGE OFFERING DOCUMENT

Application and interpretation

5.1(1) This Part does not apply in Ontario.

(2) In this Part:

"exchange policy" means Exchange Policy 4.6 - *Public Offering by Short Form Offering Document* and Exchange Form 4H - *Short Form Offering Document*, of the TSX Venture Exchange as amended from time to time;

"gross proceeds" means the gross proceeds that are required to be paid to the issuer for listed securities distributed under a TSX Venture exchange offering document;

"listed security" means a security of a class listed on the TSX Venture Exchange;

"prior exchange offering" means a distribution of securities by an issuer under a TSX Venture exchange offering document that was completed during the 12-month period immediately preceding the date of the TSX Venture exchange offering document;

"subsequently triggered report" means a material change report that must be filed no later than 10 days after a material change under securities legislation as a result of a material change that occurs after the date the TSX Venture exchange offering document is certified but before a purchaser enters into an agreement of purchase and sale;

"TSX Venture Exchange" means the TSX Venture Exchange Inc.;

"TSX Venture exchange offering document" means an offering document that complies with the exchange policy;

"warrant" means a warrant of an issuer distributed under a TSX Venture exchange offering document that entitles the holder to acquire a listed security or a portion of a listed security of the same issuer.

TSX Venture Exchange offering

Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. These securities are free trading unless the security is acquired by:(i) a purchaser that, at the time the security was acquired, was an insider or promoter of the issuer of the security, an underwriter of the issuer, or a member of the underwriter's professional group; or(ii) any other purchaser in excess of $40,000 for the portion of the securities in excess of $40,000.The first trade by purchasers under (i) and (ii) are subject to a restricted period.

5.2 The prospectus requirement does not apply to a distribution by an issuer in a security of its own issue if:

(a) the issuer has filed an AIF in a jurisdiction of Canada;

(b) the issuer is a SEDAR filer;

(c) the issuer is a reporting issuer in a jurisdiction of Canada and has filed in a jurisdiction of Canada:

(i) a TSX Venture exchange offering document;

(ii) all documents required to be filed under the securities legislation of that jurisdiction; and

(iii) any subsequently triggered report;

(d) the distribution is of listed securities or units consisting of listed securities and warrants;

(e) the issuer has filed with the TSX Venture Exchange a TSX Venture exchange offering document in respect of the distribution, that:

(i) incorporates by reference the following documents of the issuer filed with the securities regulatory authority in any jurisdiction of Canada:

(A) the AIF;

(B) the most recent annual financial statements and the MD&A relating to those financial statements;

(C) all unaudited interim financial reports and the MD&A relating to those financial reports, filed after the date of the AIF but before or on the date of the TSX Venture exchange offering document;

(D) all material change reports filed after the date of the AIF but before or on the date of the TSX Venture exchange offering document; and

(E) all documents required under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* filed on or after the date of the AIF but before or on the date of the TSX Venture exchange offering document;

(ii) deems any subsequently triggered report required to be delivered to a purchaser under this Part to be incorporated by reference;

(iii) grants to purchasers contractual rights of action in the event of a misrepresentation, as required by the exchange policy;

(iv) grants to purchasers contractual rights of withdrawal, as required by the exchange policy; and

(v) contains all the certificates required by the exchange policy;

(f) the distribution is conducted in accordance with the exchange policy;

(g) the issuer or the underwriter delivers the TSX Venture exchange offering document and any subsequently triggered report to each purchaser:

(i) before the issuer or the underwriter enters into the written confirmation of purchase and sale resulting from an order or subscription for securities being distributed under the TSX Venture exchange offering document; or

(ii) not later than midnight on the 2nd business day after the agreement of purchase and sale is entered into;

(h) the listed securities issued under the TSX Venture exchange offering document, when added to the listed securities of the same class issued under prior exchange offerings, do not exceed:

(i) the number of securities of the same class outstanding immediately before the issuer distributes securities of the same class under the TSX Venture exchange offering document; or

(ii) the number of securities of the same class outstanding immediately before a prior exchange offering;

(i) the gross proceeds under the TSX Venture exchange offering document, when added to the gross proceeds from prior exchange offerings do not exceed $2 million;

(j) no purchaser acquires more than 20% of the securities distributed under the TSX Venture exchange offering document; and

(k) no more than 50% of the securities distributed under the TSX Venture exchange offering document are subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

Underwriter obligations

5.3 An underwriter that qualifies as a "sponsor" under TSX Venture Exchange Policy 2.2 - *Sponsorship and Sponsorship Requirements* as amended from time to time must sign the TSX Venture exchange offering document and comply with TSX Venture Exchange Appendix 4A - *Due Diligence Report* in connection with the distribution.

PART 6: REPORTING REQUIREMENTS

Report of exempt distribution

6.1(1) Subject to subsection (2) and section 6.2 [*When report not required*], issuers that distribute their own securities and underwriters that distribute securities they acquired under section 2.33 must file a report if they make the distribution under one or more of the following exemptions:

(a) section 2.3 [*Accredited investor*];

(b) section 2.5 [*Family, friends and business associates*];

(c) subsection 2.9 (1) or (2) [*Offering memorandum for Alberta, B.C., Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon*];

(d) section 2.10 [*Minimum amount investment*];

(e) section 2.12 [*Asset acquisition*];

(f) section 2.13 [*Petroleum, natural gas and mining properties*];

(g) section 2.14 [*Securities for debt*];

(h) section 2.19 [*Additional investment in investment funds*];

(i) section 2.30 [*Isolated distribution by issuer*];

(j) section 5.2 [*TSX Venture Exchange offering*].

(2) The issuer or underwriter must file the report in the jurisdiction where the distribution takes place no later than 10 days after the distribution.

When report not required

6.2(1) An issuer is not required to file a report under section 6.1(1)(a) [*Report of exempt distribution*] for a distribution of a debt security of its own issue or, concurrently with the distribution of the debt security, an equity security of its own issue, to a Canadian financial institution or a Schedule III bank.

(2) An investment fund is not required to file a report under section 6.1 [*Report of exempt distribution*] for a distribution under section 2.3 [*Accredited investor*], section 2.10 [*Minimum amount*] or section 2.19 [*Additional investment in investment funds*] if the investment fund files the report not later than 30 days after the financial year-end of the investment fund.

Required form of report of exempt distribution

6.3(1) The required form of report under section 6.1 [*Report of exempt distribution*] is Form 45-106F1.

(2) Except in Manitoba, an issuer that makes a distribution under an exemption from a prospectus requirement not provided for in this Instrument is exempt from the requirements in securities legislation to file a report of exempt trade or exempt distribution in the required form if the issuer files a report of exempt distribution in accordance with Form 45-106F1.

Required form of offering memorandum

6.4(1) The required form of offering memorandum under section 2.9 or section 3.9 [*Offering memorandum*] is Form 45-106F2.

(2) Despite subsection (1), a qualifying issuer may prepare an offering memorandum in accordance with Form 45-106F3.

Required form of risk acknowledgement

6.5(1) The required form of risk acknowledgement under subsection 2.9(15) [*Offering memorandum*] is Form 45-106F4.

(2) In Saskatchewan, the required form of risk acknowledgement under section 2.6 or section 3.6 [*Family, friends and business associates*] is Form 45-106F5.

PART 7: EXEMPTION

Exemption

7.1(1) Subject to subsection (2), the regulator or the securities regulatory authority may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) In Ontario, only the regulator may grant an exemption and only from Part 6, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 8: TRANSITIONAL, COMING INTO FORCE

Additional investment - investment funds - exemption from prospectus requirement

8.1 The prospectus requirement does not apply to a distribution by an investment fund in a security of its own issue to a purchaser that initially acquired the security as principal before this Instrument came into force if:

(a) the security was initially acquired under any of the following provisions:

(i) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules (General)*;

(ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia);

(iii) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;

(iv) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;

(v) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

(vi) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);

(vii) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 1;

(viii) in Nunavut, section 3(c) and (z) of Blanket Order No. 1;

(ix) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

(x) in Prince Edward Island, section 2(3)(d) of the *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 -Exempt Distributions - Exemption for Purchase of Mutual Fund Securities;

(xi) in Québec, section 51 and 155.1(2) of the *Securities Act* (Québec);

(xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of *The Securities Act, 1988* (Saskatchewan);

(b) the distribution is of a security of the same class or series as the initial distribution; and

(c) the security holder, as at the date of the distribution, holds securities of the investment fund that have:

(i) an acquisition cost of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial distribution was conducted; or

(ii) a net asset value of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial distribution was conducted.

Additional investment - investment funds - exemption from registration requirement

8.1.1(1) After March 27, 2010, this section 8.1.1 does not apply in any jurisdiction.

(2) The dealer registration requirement does not apply in respect of a trade by an investment fund in a security of its own issue to a purchaser that initially acquired the security as principal before this Instrument came into force if:

(a) the security was initially acquired under any of the following provisions:

(i) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules (General)*;

(ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia);

(iii) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;

(iv) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;

(v) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

(vi) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);

(vii) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 1;

(viii) in Nunavut, section 3(c) and (z) of Blanket Order No. 1;

(ix) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

(x) in Prince Edward Island, section 2(3)(d) of the *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 -Exempt Distributions - Exemption for Purchase of Mutual Fund Securities;

(xi) in Québec, section 51 and 155.1(2) of the *Securities Act* (Québec);

(xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of *The Securities Act, 1988* (Saskatchewan);

(b) the trade is for a security of the same class or series as the initial trade; and

(c) the security holder, as at the date of the trade, holds securities of the investment fund that have:

(i) an acquisition cost of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted; or

(ii) a net asset value of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted.

Definition of "accredited investor" - investment fund

8.2 An investment fund that distributed its securities to persons pursuant to any of the following provisions is an investment fund under paragraph (n)(ii) of the definition of "accredited investor":

(a) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules (General)*;

(b) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia);

(c) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;

(d) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;

(e) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

(f) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);

(g) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 2;

(h) in Nunavut, section 3(c) and (z) of Blanket Order No. 3;

(i) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

(j) in Prince Edward Island, section 2(3)(d) of the *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 -*Exempt Distributions - Exemption for Purchase of Mutual Fund Securities*;

(k) in Québec, section 51 and 155.1(2) of the *Securities Act* (Québec);

(l) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of *The Securities Act, 1988* (Saskatchewan).

Transition - Closely-held issuer - exemption from prospectus requirement

8.3(1) In this section:

"2001 OSC Rule 45-501" means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on November 30, 2001;

"2004 OSC Rule 45-501" means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

"closely-held issuer" has the same meaning as in 2004 OSC Rule 45-501.

(2) The prospectus requirement does not apply to a distribution of a security that was previously distributed by a closely-held issuer under section 2.1 of 2001 OSC Rule 45-501, or under section 2.1 of 2004 OSC Rule 45-501, to a person who purchases the security as principal and is:

(a) a director, officer, employee, founder or control person of the issuer;

(b) a spouse, parent, grandparent, brother, sister or child of a director, executive officer, founder or control person of the issuer;

(c) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder or control person of the issuer;

(d) a close personal friend of a director, executive officer, founder or control person of the issuer;

(e) a close business associate of a director, executive officer, founder or control person of the issuer;

(f) a spouse, parent, grandparent, brother, sister or child of the selling security holder or of the selling security holder's spouse;

(g) a security holder of the issuer;

(h) an accredited investor;

(i) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (h);

(j) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (h); or

(k) a person that is not the public.

Transition - Closely-held issuer - exemption from registration requirement

8.3.1(1) After March 27, 2010, this section 8.3.1 does not apply in any jurisdiction.

(2) In this section:

"2001 OSC Rule 45-501" means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on November 30, 2001;

"2004 OSC Rule 45-501" means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

"closely-held issuer" has the same meaning as in 2004 OSC Rule 45-501.

(3) The dealer registration requirement does not apply in respect of a trade in a security that was previously distributed by a closely-held issuer under section 2.1 of 2001 OSC Rule 45-501 or under section 2.1 of 2004 OSC Rule 45-501 to a person who purchases the security as principal and is:

(a) a director, officer, employee, founder or control person of the issuer;

(b) a spouse, parent, grandparent, brother, sister or child of a director, executive officer, founder or control person of the issuer;

(c) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder or control person of the issuer;

(d) a close personal friend of a director, executive officer, founder or control person of the issuer;

(e) a close business associate of a director, executive officer, founder or control person of the issuer;

(f) a spouse, parent, grandparent, brother, sister or child of the selling security holder or of the selling security holder's spouse;

(g) a security holder of the issuer;

(h) an accredited investor;

(i) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (h);

(j) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (h); or

(k) a person that is not the public.

Transition - reinvestment plan

8.4 Despite subsection 2.2(5) or 3.2(5), if an issuer's reinvestment plan was established before September 28, 2009, and provides for the distribution of a security that is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator of the plan must provide to each person who is already a participant the description of the material attributes and characteristics of the securities traded under the plan or notice of a source from which the participant can obtain the information not later than 140 days after the next financial year end of the issuer ending on or after September 28, 2009.

Application of Part 3 of this instrument

8.5 On March 27, 2010, Part 3 does not apply in any jurisdiction.

Repeal of former instrument

8.6 National Instrument 45-106 *Prospectus and Registration Exemptions* which came into force on September 14, 2005 is repealed on September 28, 2009.

Effective date

8.7(1) Except in Ontario, this Instrument comes into force on September 28, 2009.

(2) In Ontario, this Instrument comes into force on the later of the following:

(a) September 28, 2009;

(b) the day on which sections 5 and 11, subsection 12(1) and section 13 of Schedule 26 of the *Budget Measures Act, 2009* are proclaimed in force.

Appendix A
to
National Instrument 45-106 Prospectus and Registration Exemptions
Variable insurance contract exemption
(section 2.39)

JURISDICTION	LEGISLATION REFERENCE
ALBERTA	"contract of insurance", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (Alberta) and the regulations under that Act. "insurance company" means an insurer as defined in the *Insurance Act* (Alberta) that is licensed under that Act.
BRITISH COLUMBIA	"contract", "group insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (British Columbia) and the regulations under that Act."life insurance" has the respective meaning assigned to it under the *Financial Institutions Act* (British Columbia) and the regulations under that Act. "insurance company" means an insurance company, or an extraprovincial insurance corporation, authorized to carry on insurance business under the *Financial Institutions Act* (British Columbia).
MANITOBA	"contract of insurance", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (Manitoba) and the regulations under that Act. "insurance company" means an insurer as defined in the *Insurance Act* (Manitoba) that is licensed under that Act.
NEW BRUNSWICK	"contract of insurance", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (New Brunswick) and the regulations under that Act. "insurance company" means an insurer as defined in the *Insurance Act* (New Brunswick) that is licensed under that Act.
NORTHWEST TERRITORIES	"contract", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (Northwest Territories). "insurance company" means an insurer as defined in the *Insurance Act* (Northwest Territories) that is licensed under that Act.
NOVA SCOTIA	"contract", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the *Insurance Act* (Nova Scotia) and the regulations under that Act. "insurance company" has the same meaning as in section 3(1)(a) of the *General Securities Rules* (Nova Scotia).

ONTARIO	"contract", "group insurance", and "policy" have the respective meanings assigned to them in section 1 and 171 of the *Insurance Act* (Ontario). "life insurance" has the respective meaning assigned to it in Schedule 1 by Order of the Superintendent of Financial Services. "insurance company" has the same meaning as in section 1(2) of the *General Regulation* (Ont. Reg. 1015).
QUÉBEC	"contract of insurance", "group insurance", "life insurance", and "policy" have the respective meanings assigned to them under the Civil Code of Québec. "insurance company" means an insurer holding a license under the Act respecting insurance (R.S.Q., c. A-32).
PRINCE EDWARD ISLAND	"contract", "group insurance", "insurer", "life insurance" and "policy" have the respective meanings assigned to them in sections 1 and 174 of the *Insurance Act* (Prince Edward Island). "insurance company" means an insurance company licensed under the *Insurance Act* (R.S.P.E.I. 1988, Cap. I-4).
SASKATCHEWAN	"contract", "life insurance" and "policy" have the respective meanings assigned to them in section 2 of *The Saskatchewan Insurance Act* (Saskatchewan)."group insurance" has the respective meaning assigned to it in section 133 of *The Saskatchewan Insurance Act* (Saskatchewan). "insurance company" means an issuer licensed under *The Saskatchewan Insurance Act* (Saskatchewan).
YUKON	"contract", "group", "life insurance" and "policy" have the respective meanings assigned to them under the *Insurance Act* (Yukon) and the regulations made under that Act. "insurance company" means an insurer as defined in the *Insurance* Act (Yukon) that is licensed under that Act.

Appendix B
to
National Instrument 45-106 Prospectus and Registration Exemptions

Control Block Distributions
(PART 4)

JURISDICTION	SECURITIES LEGISLATION
REFERENCE	
ALBERTA	Section 1(p)(iii) of the Securities Act (Alberta)
BRITISH COLUMBIA	Paragraph (c) of the definition of "distribution" contained in section 1 of the *Securities Act* (British Columbia)
MANITOBA	Section 1(b) of the definition of "primary distribution to the public" contained in subsection 1(1) of the *Securities Act* (Manitoba)
NEW BRUNSWICK	Paragraph (c) of the definition of "distribution" contained in section 1(1) of the *Securities Act* (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Section 2(1)(1)(iii) of the *Securities Act* (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Paragraph (c) of the definition of "distribution" in subsection 1(1) of the *Securities Act* (Northwest Territories)
NOVA SCOTIA	Section 2(1)(1)(iii) of the *Securities Act* (Nova Scotia)
ONTARIO	Paragraph (c) of the definition of "distribution" contained in subsection 1(1) of the *Securities Act* (Ontario)
PRINCE EDWARD ISLAND	Section 1(f)(iii) of the *Securities Act* (Prince Edward Island)
QUÉBEC	Paragraph 9 of the definition of "distribution" contained section 5 of the *Securities Act* (Québec)
SASKATCHEWAN	Section 2(1)(r)(iii) of *The Securities Act, 1988* (Saskatchewan)
YUKON	Paragraph (c) of the definition of "distribution" in subsection 1(1) of the *Securities Act* (Yukon)

Form 45-106F2
Offering Memorandum for Non-Qualifying Issuers

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:

Phone #:

E-mail address:

Fax #:

Currently listed or quoted? [If no, state in bold type: "**These securities do not trade on any exchange or market**". If yes, state where, e.g., TSX/TSX Venture Exchange.]

Reporting issuer? [Yes/No. If yes, state where.]

SEDAR filer? [Yes/No]

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum, state in bold type: "**There is no minimum.**" and also state in bold type: "**You may be the only purchaser.**"]

State in bold type: **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: [State the minimum amount each investor must invest, or state "There is no minimum subscription amount an investor must invest".]

Payment terms:

Proposed closing date(s):

Income tax consequences: There are important tax consequences to these securities. See item 6. [If income tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state "See item 7". The name of the selling agent may also be stated.]

Resale restrictions

State: "You will be restricted from selling your securities for [4 months and a day/an indefinite period]. See item 10".

Purchaser's rights

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11".

State in bold type:

> **"No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8".**

[All of the above information must appear on a single cover page.]

Item 1: Use of Available Funds

1.1 ***Funds*** - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, please provide details about each additional source of funding. If there is no minimum offering, state "$0" as the minimum.

Disclose also the amount of any working capital deficiency, if any, of the issuer as at a date not more than 30 days prior to the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

		Assuming min. offering	Assuming max. offering
A.	Amount to be raised by this offering	$	$
B.	Selling commissions and fees	$	$
C.	Estimated offering costs (e.g., legal, accounting, audit.)	$	$
D.	Available funds: D = A - (B+C)	$	$
E.	Additional sources of funding required	$	$
F.	Working capital deficiency	$	$
G.	Total: G = (D+E) - F	$	$

1.2 ***Use of Available Funds*** - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
	$	$
	$	$
Total: Equal to G in the Funds table above	$	$

1.3 ***Reallocation*** - The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:

"We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons".

Item 2: Business of [name of issuer or other term used to refer to issuer]

2.1 ***Structure*** - State the business structure (e.g., partnership, corporation or trust), the statute and the province, state or other jurisdiction under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 ***Our Business*** - Describe the issuer's business. The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision. For a non-resource issuer this disclosure may include principal products or services, operations, market, marketing plans and strategies and a discussion of the issuer's current and prospective competitors. For a resource issuer this will require a description of principal properties (including interest held) and a summary of material information including, if applicable: the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed. A resource issuer disclosing scientific or technical information for a mineral project must follow General Instruction A.8 of this Form. A resource issuer disclosing information about its oil and gas activities must follow General Instruction A.9 of this Form.

2.3 ***Development of Business*** - Describe (generally, in one or two paragraphs) the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include the major events that have occurred or conditions that have influenced (favourably or unfavourably) the development of the issuer.

2.4 ***Long Term Objectives*** - Describe each significant event that must occur to accomplish the issuer's long term objectives, state the specific time period in which each event is expected to occur, and the costs related to each event.

2.5 ***Short Term Objectives and How We Intend to Achieve Them***

(a) Disclose the issuer's objectives for the next 12 months.

(b) Using the following table, disclose how the issuer intends to meet those objectives for the next 12 months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
		$ $

2.6 ***Insufficient Funds***

If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available. If alternative financing has been arranged, disclose the amount, source and all outstanding conditions that must be satisfied.

2.7 ***Material Agreements*** - Disclose the key terms of all material agreements:

(a) to which the issuer is currently a party; or

(b) with a related party;

including the following information:

(i) if the agreement is with a related party, the name of the related party and the relationship;

(ii) a description of any asset, property or interest acquired, disposed of, leased, under option, etc.;

(iii) a description of any service provided;

(iv) purchase price and payment terms (e.g., paid in instalments, cash, securities or work commitments);

(v) the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate;

(vi) the date of the agreement;

(vii) the amount of any finder's fee or commission paid or payable to a related party in connection with the agreement;

(viii) any material outstanding obligations under the agreement; and

(ix) for any transaction involving the purchase of assets by or sale of assets to the issuer from a related party, state the cost of the assets to the related party, and the cost of the assets to the issuer.

Item 3: Interests of Directors, Management, Promoters and Principal Holders

3.1 ***Compensation and Securities Held*** - Using the following table, provide the specified information about each director, officer and promoter of the issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a "principal holder"). If the principal holder is not an individual, state in a note to the table the name of any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder. If the issuer has not completed its first financial year, then include compensation paid since inception. Compensation includes any form of remuneration including cash, shares and options.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering

3.2 ***Management Experience*** - Using the following table, disclose the principal occupations of the directors and executive officers over the past five years. In addition, for each individual, describe any relevant experience in a business similar to the issuer's.

Name	Principal occupation and related experience

3.3 ***Penalties, Sanctions and Bankruptcy***

(a) Disclose any penalty or sanction (including the reason for it and whether it is currently in effect) that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against:

(i) a director, executive officer or control person of the issuer; or

(ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.

(b) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:

(i) director, executive officer or control person of the issuer; or

(ii) issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

3.4 ***Loans*** - Disclose the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate due to or from the directors, management, promoters and principal holders as at a date not more than 30 days prior to the date of the offering memorandum.

Item 4: Capital Structure

4.1 ***Share Capital*** - Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number oustanding after min. offering	Number oustanding after max. offering

4.2 ***Long Term Debt Securities*** - Using the following table, provide the required information about outstanding long term debt of the issuer. Disclose the portion of the debt due within 12 months of the date of the offering memorandum. If the securities being offered are debt securities, add a column to the table disclosing the amount of debt that will be outstanding after both the minimum and maximum offering. If the debt is owed to a related party, indicate that in a note to the table and identify the related party.

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at [a date not more than 30 days prior to the offering memorandum date]
			$
			$

4.3 ***Prior Sales*** - If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the last 12 months, use the following table to provide the information specified. If securities were issued in exchange for assets or services, describe in a note to the table the assets or services that were provided.

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received

Item 5: Securities Offered

5.1 ***Terms of Securities***- Describe the material terms of the securities being offered, including:

(a) voting rights or restrictions on voting;

(b) conversion or exercise price and date of expiry;

(c) rights of redemption or retraction; and

(d) interest rates or dividend rates.

5.2 ***Subscription Procedure***

(a) Describe how a purchaser can subscribe for the securities and the method of payment.

(b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).

(c) Disclose any conditions to closing, e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met, and whether the issuer will pay the purchasers interest on consideration.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 State: "You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you".

6.2 If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide:

(a) a summary of the significant income tax consequences to Canadian residents; and

(b) the name of the person providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person providing the advice or state "Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities".

Item 7: Compensation Paid to Sellers and Finders

If any person has or will receive any compensation (e.g., commission, corporate finance fee or finder's fee) in connection with the offering, provide the following information to the extent applicable:

(a) a description of each type of compensation and the estimated amount to be paid for each type;

(b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering);

(c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date); and

(d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Risk factors will generally fall into the following three categories:

(a) Investment Risk - risks that are specific to the securities being offered. Some examples include:

- arbitrary determination of price;
- no market or an illiquid market for the securities;
- resale restrictions; and
- subordination of debt securities.

(b) Issuer Risk - risks that are specific to the issuer. Some examples include:

- insufficient funds to accomplish the issuer's business objectives;
- no history or a limited history of revenue or profits;
- lack of specific management or technical expertise;
- management's regulatory and business track record;
- dependence on key employees, suppliers or agreements;
- dependence on financial viability of guarantor;
- pending and outstanding litigation; and
- political risk factors.

(c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include:

- environmental and industry regulation;
- product obsolescence; and
- competition.

Item 9: Reporting Obligations

9.1 Disclose the documents, including any financial information required by the issuer's corporate legislation, constating documents, or other documents under which the issuer is organized, that will be sent to purchasers on an annual or on-going basis. If the issuer is not required to send any documents to the purchasers on an annual or on-going basis, state in bold type: "**We are not required to send you any documents on an annual or ongoing basis**".

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10: Resale Restrictions

10.1 General Statement - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, state:

"These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation".

10.2 Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon state one of the following, as applicable:

(a) if the issuer is not a reporting issuer in a jurisdiction at the distribution date state:

"Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date [insert name of issuer or other term used to refer to the issuer] becomes a reporting issuer in any province or territory of Canada";

(b) if the issuer is a reporting issuer in a jurisdiction at the distribution date state:

"Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date".

10.3 Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

"Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

(a) [name of issuer or other term used to refer to issuer] has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or

(b) you have held the securities for at least 12 months.

"The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest".

Item 11: Purchasers" Rights

State the following:

"If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

(a) [name of issuer or other term used to refer to issuer] to cancel your agreement to buy these securities; or

(b) for damages against [state the name of issuer or other term used to refer to issuer and the title of any other person against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation.]

(3) Contractual Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.]

"If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer or other term used to refer to issuer]:

(a) to cancel your agreement to buy these securities; or

(b) for damages.

"This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer or other term used to refer to issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer or other term used to refer to issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

"If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities".

Item 12: Financial Statements

Include in the offering memorandum immediately before the certificate page of the offering memorandum all required financial statements as set out in the Instructions.

Item 13: Date and Certificate

State the following on the certificate page of the offering memorandum:

"Dated [insert the date the certificate page of the offering memorandum is signed].

"**This offering memorandum does not contain a misrepresentation**".

Instructions for Completing
Form 45-106F2
Offering Memorandum for Non-Qualifying Issuers

A. General Instructions

1. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.

2. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.

3. The issuer may include additional information in the offering memorandum other than that specifically required by the form. An offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. Generally, this description should not exceed 2 pages. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.

4. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.

5. It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.

6. When the term "related party" is used in this form, it refers to:

(a) a director, officer, promoter or control person of the issuer;

(b) in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence;

(c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship;

(d) an insider of the issuer;

(e) a company controlled by one or more individuals referred to in (a) to (d); and

(f) in the case of an insider, promoter or control person that is not an individual, any person that controls that insider, promoter or control person.

(If the issuer is not a reporting issuer, the reference to "insider" includes persons or companies who would be insiders of the issuer if that issuer were a reporting issuer.)

7. Disclosure is required in item 3.1 of compensation paid directly or indirectly by the issuer or a related party to a director, officer, promoter and/or principal holder if the issuer receives a direct benefit from such compensation paid.

8. Refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.

9. If an oil and gas issuer is disclosing information about its oil and gas activities, it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101). Under section 5.3 of NI 51-101, disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.

10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.

11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (*offering memorandum*) of National Instrument 45-106 *Prospectus and Registration Exemptions*, the issuer must modify the disclosure in item 11 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.

12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

B. Financial Statements - General

1. All financial statements, operating statements for an oil and gas property that is an acquired business or a business to be acquired, and summarized financial information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method included in the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, regardless of whether the issuer is a reporting issuer or not.

Under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, financial statements are generally required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except, subject to the requirements of NI 52-107, certain issuers may use Canadian GAAP applicable to private enterprises for financial statements for a business referred to in C.1. An issuer that is not a reporting issuer may prepare acquisition statements in accordance with the requirements of NI 52-107 as if the issuer were a venture issuer as defined in NI 51-102. For the purposes of Form 45-106F2, the "applicable time" in the definition of a venture issuer is the acquisition date.

2. Include all financial statements required by these instructions in the offering memorandum immediately before the certificate page of the offering memorandum.

3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum, include in the offering memorandum financial statements of the issuer consisting of:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from inception to a date not more than 90 days before the date of the offering memorandum;

(b) a statement of financial position as at the end of the period referred to in paragraph (a); and

(c) notes to the financial statements.

4. If the issuer has completed one or more financial years, include in the offering memorandum annual financial statements of the issuer consisting of:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for:

(i) the most recently completed financial year that ended more than 120 days before the date of the offering memorandum; and

(ii) the financial year immediately preceding the financial year in clause (i), if any;

(b) a statement of financial position as at the end of each of the periods referred to in paragraph (a);

(c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that:

(i) discloses in its annual financial statements an unreserved statement of compliance with IFRS; and

(ii) does any of the following:

(A) applies an accounting policy retrospectively in its annual financial statements;

(B) makes a retrospective restatement of items in its annual financial statements;

(C) reclassifies items in its annual financial statements;

(d) in the case of an issuer's first IFRS financial statements as defined in NI 51-102, the opening IFRS statement of financial position at the date of transition to IFRS as defined in NI 51-102; and

(e) notes to the financial statements.

4.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under Item 4 above.

5. If the issuer has completed one or more financial years, include in the offering memorandum an interim financial report of the issuer comprised of:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed interim period that ended:

(i) more than 60 days before the date of the offering memorandum; and

(ii) after the year-end date of the financial statements required under B.4(a)(i);

(b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any;

(c) a statement of financial position as at the end of the period required by paragraph (a) and the end of the immediately preceding financial year;

(d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that:

(i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 Interim Financial Reporting; and

(ii) does any of the following:

(A) applies an accounting policy retrospectively in its interim financial report;

(B) makes a retrospective restatement of items in its interim financial report;

(C) reclassifies items in its interim financial report;

(e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS;

(f) for an issuer that is not a reporting issuer in at least one jurisdiction of Canada immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include:

(i) the issuer's first interim financial report in the year of adopting IFRS; or

(ii) both:

(A) the opening IFRS statement of financial position at the date of transition to IFRS; and

(B) the annual and date of transition to IFRS reconciliations required by IFRS 1 First-time Adoption of International Financial Reporting Standards to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows; and

(g) notes to the financial statements.

5.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under item 5 above.

6. An issuer is not required to include the comparative financial information for the period in B.4.(a)(ii) in an offering memorandum if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering memorandum.

7. For an issuer that is not an investment fund, the term "interim period" has the meaning set out in NI 51-102. In most cases, an interim period is a period ending nine, six, or three months before the end of a financial year. For an issuer that is an investment fund, the term "interim period" has the meaning set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).

8. The comparative financial information required under B.5(b) and (c) may be omitted if the issuer has not previously prepared financial statements in accordance with its current or, if applicable, its previous GAAP.

9. The financial statements required by B.3 and the financial statements of the most recently completed financial period referred to in B.4 must be audited. The financial statements required under B.5, B.6 and the comparative financial information required by B.4 may be unaudited; however, if any of those financial statements have been audited, the auditor's report must be included in the offering memorandum.

10. Refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to reporting issuers and public accounting firms.

11. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

12. If the offering memorandum does not contain audited financial statements for the issuer's most recently completed financial year, and if the distribution is ongoing, update the offering memorandum to include the annual audited financial statements and the accompanying auditor's report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120th day following the financial year end.

13. The offering memorandum does not have to be updated to include interim financial reports for periods completed after the date that is 60 days before the date of the offering memorandum unless it is necessary to prevent the offering memorandum from containing a misrepresentation.

14. Forward looking information, as defined in NI 51-102, included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. For an issuer that is not a reporting issuer, references to "reporting issuer" in section 4A.2, section 4A.3 and Part 4B of NI 51-102 should be read as references to an "issuer". Additional guidance may be found in the companion policy to NI 51-102.

15. If the issuer is a limited partnership, in addition to the financial statements required for the issuer, include in the offering memorandum the financial statements in accordance with Part B for the general partner and, if the limited partnership has active operations, for the limited partnership.

16. Despite section B.5, an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended:

(a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the offering memorandum; and

(b) more than 90 days before the date of the offering memorandum.

This section does not apply unless:

(a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS, and the issuer is disclosing, for the first time, a statement of compliance with International Accounting Standard 34 Interim Financial Reporting;

(b) the issuer is a reporting issuer in the local jurisdiction immediately before the date of the offering memorandum; and

(c) the offering memorandum is dated before June 29, 2012.

C. Financial Statements - Business Acquisitions

1. If the issuer:

(a) has acquired a business during the past two years and the audited financial statements of the issuer included in the offering memorandum do not include the results of the acquired business for 9 consecutive months; or

(b) is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high;

include the financial statements specified in C.4 for the business if either of the tests in C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

2. Include the financial statements specified in C.4 for a business referred to in C.1 if either:

(a) the issuer's proportionate share of the consolidated assets of the business exceeds 40% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the acquisition date or, for a proposed acquisition, the date of the offering memorandum; or

(b) the issuer's consolidated investments in and advances to the business as at the acquisition date or the proposed date of acquisition exceeds 40% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the date of acquisition or the date of the offering memorandum for a proposed acquisition. For information about how to perform the investment test in this paragraph, please refer to subsections 8.3(4.1) and (4.2) of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

2.1 [Repealed]

3. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering memorandum date, use the financial statements referred to in B.3 to make the calculations in C.2.

4. If under C.2 you must include in an offering memorandum financial statements for a business, the financial statements must include:

(a) if the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum:

(i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows:

(A) for the period from inception to a date not more than 90 days before the date of the offering memorandum; or

(B) if the date of acquisition precedes the ending date of the period referred to in (A), for the period from inception to the acquisition date or a date not more than 45 days before the acquisition date;

(ii) a statement of financial position dated as at the end of the period referred to in clause (i); and

(iii) notes to the financial statements;

(b) if the business has completed one or more financial years include:

(i) annual financial statements comprised of:

(A) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following annual periods:

i. the most recently completed financial year that ended before the acquisition date and more than 120 days before the date of the offering memorandum; and

ii. the financial year immediately preceding the most recently completed financial year specified in clause i, if any;

(B) a statement of financial position as at the end of each of the periods specified in (A);

(C) notes to the financial statements; and

(ii) an interim financial report comprised of:

(A) either:

(i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), and a statement of comprehensive income and a statement of changes in equity for the three month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i); or

(ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in subparagraph (b)(i) to a date before the acquisition date and after the period end in subclause (b)(ii)(A)(i);

(B) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any;

(C) a statement of financial position as at the end of the period required by clause (A) and the end of the immediately preceding financial year; and

(D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of "interim period"

5. The information for the most recently completed financial period referred to in C.4(b)(i) must be audited and accompanied by an auditor's report. The financial statements required under C.4(a), C.4(b)(ii) and the comparative financial information required by C.4(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering memorandum.

6. If the offering memorandum does not contain audited financial statements for a business referred to in C.1 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering memorandum to include those financial statements accompanied by an auditor's report when they are available, but in any event no later than the date 120 days following the year-end.

7. The term "business" should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:

(a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and

(b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.

8. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be a reverse take-over as defined in NI 51-102, include financial statements for the legal subsidiary in the offering memorandum in accordance with Part A. The legal parent is considered to be the business acquired. C.1 may also require financial statements of the legal parent.

9. An issuer satisfies the requirements in C.4 if the issuer includes in the offering memorandum the financial statements required in a business acquisition report under NI 51-102.

D. Financial Statement - Exemptions

1. An issuer will satisfy the financial statement requirements of this form if it includes the financial statements required by securities legislation for a prospectus.

2. Notwithstanding the requirements in section 3.3(1)(a)(i) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, an auditor's report that accompanies financial statements of an issuer or a business contained in an offering memorandum of a non-reporting issuer may express a qualification of opinion relating to inventory if:

(a) the issuer includes in the offering memorandum a statement of financial position that is for a date that is subsequent to the date to which the qualification relates; and

(b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory; and

(c) the issuer has not previously filed financial statements for the same entity accompanied by an auditor's report for a prior year that expressed a qualification of opinion relating to inventory.

3. If an issuer has, or will account for a business referred to in C.1 using the equity method, then financial statements for a business required by Part C are not required to be included if:

(a) the offering memorandum includes disclosure for the periods for which financial statements are otherwise required under Part C that:

(i) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business; and

(ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of profit or loss;

(b) the financial information provided under D.3(a) for the most recently completed financial year has been audited, or has been derived from audited financial statements of the business; and

(c) the offering memorandum discloses that:

(i) the financial information provided under D.3(a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under D.3(a) has been derived; and

(ii) the audit opinion with respect to the financial information or financial statements referred to in D.3(c)(i) was an unmodified opinion.

4. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering memorandum if the acquisition is significant based only on the asset test or:

(a) the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements;

(b) the acquisition was not or will not be a reverse take-over, as defined in NI 51-102; and

(c) [Repealed]

(d) the offering memorandum contains alternative disclosure for the business which includes:

(i) an operating statement for the business or related businesses for each of the financial periods for which financial statements would, but for this section, be required under C.4 prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. The operating statement for the most recently completed financial period referred to in C.4(b)(i) must be audited;

(ii) a description of the property or properties and the interest acquired by the issuer;

(iii) information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person who prepared the estimates;

(iv) actual production volumes of the property for the most recently completed year; and

(v) estimated production volumes of the property for the first year reflected in the estimate disclosed under D.4(d)(iv).

5. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of a property, are not required to be audited if during the 12 months preceding the acquisition date or the proposed acquisition date, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of six thousand cubic feet of gas being the equivalent of one barrel of oil) is less than 20 % of the total daily average production of the seller for the same or similar periods and:

(i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

(ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records; and

(iii) the offering memorandum discloses:

1. that the issuer was unable to obtain an audited operating statement;

2. the reasons for that inability;

3. the fact that the purchase agreement includes the representations and warranties referred to inD.5(ii); and

4. that the results presented in the operating statements may have been materially different if the statements had been audited.

Form 45-106F3
Offering Memorandum for Qualifying Issuers

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:
Phone #:
E-mail address:
Fax #:

Where currently listed or quoted? [e.g., TSX/TSX Venture Exchange]

Jurisdictions in which the issuer is a reporting issuer:

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum state in bold: "**There is no minimum.**" and also state in bold type: "**You may be the only purchaser.**"]

State in bold type: **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: [State the minimum amount each investor must invest, or state "There is no minimum subscription amount an investor must invest".]

Payment terms:

Proposed closing date(s):

Income Tax consequences: "There are important tax consequences to these securities. See item 6". [If income tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state "See item 7". The name of the selling agent may also be stated.]

Resale restrictions

State: "You will be restricted from selling your securities for 4 months and a day. See item 10".

Purchaser's rights

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11".

State in bold type:

> **"No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8".**

[All of the above information must appear on a single cover page.]

Item 1: Use of Available Funds

1.1 ***Available Funds*** - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, please provide details about each additional source of funding. If there is no minimum offering, state "$0" as the minimum.

Disclose also the amount of any working capital deficiency, if any, of the issuer as at a date not more than 30 days prior to the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	$	$
B	Selling commissions and fees	$	$
C	Estimated offering costs (e.g., legal, accounting, audit)	$	$
D	Available funds: D = A - (B+C)	$	$
E.	Additional sources of funding required	$	$
F.	Working capital deficiency	$	$
G.	Total: G = (D+E) - F	$	$

1.2 ***Use of Available Funds*** - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the table the name of the insider, associate or affiliate, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of available funds listed in order of priority.	Assuming min. offering	Assuming max. offering
	$	$
	$	$
Total: Equal to G in the Funds table above	$	$

1.3 ***Reallocation*** - The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:

"We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons".

1.4 ***Insufficient Funds*** - If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and that there is no assurance that alternative financing will be available. If alternative financing has been arranged, disclose the amount, source and any outstanding conditions that must be satisfied.

Item 2: Information About [name of issuer or other term used to refer to issuer]

2.1 ***Business Summary*** - Briefly (in one or two paragraphs) describe the business intended to be carried on by the issuer over the next 12 months. State whether this represents a change of business. The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision. If the issuer is a non-resource issuer, describe the products that the issuer is or will be developing or producing and the stage of development of each of the products. If the issuer is a resource issuer, state: whether the issuer's principal properties are primarily in the exploration or in the development or production stage; what resources the issuer is engaged in exploring, developing or producing; and the locations of the issuer's principal properties. A resource issuer who discloses information about its oil and gas activities must follow General Instruction A-9 of this Form.

2.2 ***Existing Documents Incorporated by Reference*** - State:

"Information has been incorporated by reference into this offering memorandum from documents listed in the table below, which have been filed with securities regulatory authorities or regulators in Canada. The documents incorporated by reference are available for viewing on the SEDAR website at www.sedar.com. In addition, copies of the documents may be obtained on request without charge from [insert complete address and telephone and the name of a contact person].

"Documents listed in the table and information provided in those documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement in this offering memorandum or in any other subsequently filed document that is also incorporated by reference in this offering memorandum".

Using the following table, list all of the documents incorporated by reference (as required by Instruction D.1):

Description of document (In the case of material change reports, provide a brief description of the nature of the material change)	Date of document

2.3 ***Existing Documents Not Incorporated by Reference*** - State:

"Other documents available on the SEDAR website (for example, most press releases, take-over bid circulars, prospectuses and rights offering circulars) are not incorporated by reference into this offering memorandum unless they are specifically referenced in the table above. Your rights as described in item 11 of this offering memorandum apply only in respect of information contained in this offering memorandum and documents or information incorporated by reference".

2.4 ***Existing Information Not Incorporated by Reference*** - Certain specified information (as outlined in Instruction D.2) contained in the documents incorporated by reference may be, but is not required to be, incorporated by reference into the offering memorandum. If the issuer does not wish to incorporate that information into the offering memorandum, the issuer must state that and include a statement in the offering memorandum identifying:

(a) the information that is not being incorporated by reference; and

(b) the document in which the information is contained.

2.5 ***Future Documents Not Incorporated by Reference*** - State:

"Documents filed after the date of this offering memorandum are not deemed to be incorporated into this offering memorandum. However, if you subscribe for securities and an event occurs, or there is a change in our business or affairs, that makes the certificate to this offering memorandum no longer true, we will provide you with an update of this offering memorandum, including a newly dated and signed certificate, and will not accept your subscription until you have re-signed the agreement to purchase the securities".

Item 3: Interests of Directors, Executive Officers, Promoters and Principal Holders

3.1 Using the following table, provide information about each director, executive officer, promoter and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a "principal holder"). If the principal holder is not an individual, state in a note to the table the name of any person or company that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Position(s) with the issuer

3.2 State: "You can obtain further information about directors and executive officers from [insert the name and date of the document(s) with the most current information, e.g., management information circular, annual information form or material change report]".

3.3 State: "Current information regarding the securities held by directors, executive officers and principal holders can be obtained from [refer to the SEDI website at www.sedi.ca or, if information cannot be obtained from the SEDI website, refer to the securities regulatory authority(ies) or regulator(s) from which the information can be obtained, including any website(s)]. [Name of issuer or other term used to refer to issuer] can not guarantee the accuracy of this information".

3.4 ***Loans*** - Disclose the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate due to or from the directors, management, promoters and principal holders as at a date not more than 30 days prior to the date of the offering memorandum.

Item 4: Capital Structure

Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number oustanding after min. offering	Number oustanding after max. offering

Item 5: Securities Offered

5.1 ***Terms of Securities*** - Describe the material terms of the securities being offered, including:

(a) voting rights or restrictions on voting;

(b) conversion or exercise price and date of expiry;

(c) rights of redemption or retraction; and

(d) interest rates or dividend rates.

5.2 ***Subscription Procedure***

(a) Describe how a purchaser can subscribe for the securities and the method of payment.

(b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).

(c) Disclose any conditions to closing e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 State: "You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you".

6.2 If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide:

(a) a summary of the significant income tax consequences to Canadian residents; and

(b) the name of the person or company providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person or company providing the advice or state "Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities".

Item 7: Compensation Paid to Sellers and Finders

If any person or company has or will receive any compensation (e.g., commission, corporate finance fee or finder's fee) in connection with the offering, provide the following information to the extent applicable:

(a) a description of each type of compensation and the estimated amount to be paid for each type;

(b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering);

(c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date); and

(d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Risk factors will generally fall into the following three categories:

(a) Investment Risk - risks that are specific to the securities being offered. Some examples include:

- arbitrary determination of price;
- no market or an illiquid market for the securities;
- resale restrictions; and
- subordination of debt securities;

(b) Issuer Risk - risks that are specific to the issuer. Some examples include:

- insufficient funds to accomplish the issuer's business objectives;
- no history or a limited history of revenue or profits;
- lack of specific management or technical expertise;
- management's regulatory and business track record;
- dependence on key employees, suppliers or agreements;
- dependence on financial viability of guarantor;
- pending and outstanding litigation; and
- political risk factors;

(c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include:

- environmental and industry regulation;
- product obsolescence; and
- competition.

Item 9: Reporting Obligations

9.1 Disclose the documents that will be sent to purchasers on an annual or on-going basis.

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10: Resale Restrictions

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, state:

"These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

"Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date".

Item 11: Purchasers" Rights

State the following:

"If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) **Two -Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) **Statutory Rights of Action in the Event of a Misrepresentation** - [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.]

"If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

(a) [name of issuer or other term used to refer to issuer] to cancel your agreement to buy these securities; or

(b) for damages against [state the name of issuer or other term used to refer to issuer and the title of any other person or company against whom the rights are available].

"This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

"If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation]".

(3) **Contractual Rights of Action in the Event of a Misrepresentation** - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.]

"If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer or other term used to refer to issuer]:

(a) to cancel your agreement to buy these securities; or

(b) for damages.

"This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer or other term used to refer to issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer or other term used to refer to issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

"If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities".

Item 12: Date and Certificate

State the following on the certificate page of the offering memorandum:

"Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.

Instructions for Completing
Form 45-106F3
Offering Memorandum for Qualifying Issuers

A. General Instructions

1. Only a "qualifying issuer" may use this form.

2. An issuer using this form to draft an offering memorandum must incorporate by reference certain parts of its existing continuous disclosure base. An issuer that does not want to do this must use Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers.*

3. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.

4. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.

5. The issuer may include additional information in the offering memorandum other than that specifically required by the form. The offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.

6. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.

7. It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.

8. Refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43 101) when disclosing scientific or technical information for a mineral project of the issuer.

9. If an oil and gas issuer is disclosing information about its oil and gas activities, it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101). Under section 5.3 of NI 51-101, disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.

10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.

11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (*offering memorandum*) of National Instrument 45-106 *Prospectus and Registration Exemptions*, the issuer must modify the disclosure in item 12 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.

12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in NI 51-102 *Continuous Disclosure Obligations* (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

B. Financial Statements

1. All financial statements incorporated by reference into the offering memorandum must comply with NI 51-102 and National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

2. Forward-looking information included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

C. Required Updates to the Offering Memorandum

1. If the offering memorandum does not incorporate by reference the issuer's AIF, and audited financial statements for its most recently completed financial year, update the offering memorandum for any financial statements that are required to be filed prior to the distribution to incorporate by reference the documents as soon as the documents are filed on SEDAR.

2. Except for documents referred to in C.1, the offering memorandum does not have to be updated to incorporate by reference interim financial reports or other documents referred to in D.1 unless it is necessary to do so to prevent the offering memorandum from containing a misrepresentation.

D. Information about the Issuer

1. *Existing Documents Incorporated by Reference* - In addition to any other document that an issuer may choose to incorporate by reference, the issuer must incorporate the following documents:

(a) the issuer's AIF for the issuer's most recently completed financial year for which annual financial statements are either required to be filed or have been filed;

(b) material change reports, except confidential material change reports, filed since the end of the financial year in respect of which the issuer's AIF is filed;

(c) the interim financial report for the issuer's most recently completed interim period for which the issuer prepares an interim financial report that is required to be filed or have been filed and which ends after the most recently completed financial year referred to in (d);

(d) the comparative financial statements, together with the accompanying auditor's report, for the issuer's most recently completed financial year for which annual financial statements are required to be filed or have been filed;

(e) if, before the offering memorandum is filed, financial information about the issuer for a financial period more recent than the period for which financial statements are required under D.1(c) and (d) is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication;

(f) management's discussion and analysis (MD&A) as required under NI 51-102 for the period specified in D.1(c) and D.1(d);

(g) each business acquisition report required to be filed under NI 51-102 for acquisitions completed since the beginning of the financial year in respect of which the issuer's AIF is filed, unless the issuer incorporated the business acquisition report by reference into its AIF for its most recently completed financial year for which annual financial statements are either required to be filed or have been filed, or incorporated at least 9 months of the acquired business or related businesses operations into the issuer's most recent audited financial statements;

(h) any information circular filed by the issuer since the beginning of the financial year in respect of which the issuer's most recent AIF is filed, other than an information circular prepared in connection with an annual general meeting if the issuer has filed and incorporated by reference an information circular for a subsequent annual general meeting;

(i) if the issuer has oil and gas activities, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the most recent Form 51-101F1, Form 51-101F2 and Form 51-101F3, filed by an SEC issuer, unless:

(i) the issuer's current AIF is in the form of Form 51-102F2; or

(ii) the issuer is otherwise exempted from the requirements of NI 51-101;

(j) any other disclosure document which the issuer has filed pursuant to an undertaking to a provincial and territorial securities regulatory authority or regulator since the beginning of the financial year in respect of which the issuer's most recent AIF is filed; and

(k) any other disclosure document of the type listed above that the issuer has filed pursuant to an exemption from any requirement under securities legislation since the beginning of the financial year in respect of which the issuer's most recent AIF is filed.

2. *Mineral Property* - If a material part of the funds available as a result of the distribution is to be expended on a particular mineral property and if the issuer's most recent AIF does not contain the disclosure required under section 5.4 of Form 51-102F2 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 of Form 51-102F2.

An issuer may incorporate any additional document provided that the document is available for viewing on the SEDAR website and that, on request by a purchaser, the issuer provides a copy of the document to the purchaser, without charge.

8 Jly 2011 SR 41/2011 s21; 5 Aug 2011 SR 48/2011 s8.

PART XLIV
[*Clause 2(rr)*]
NATIONAL INSTRUMENT 33-105
UNDERWRITING CONFLICTS

PART 1 DEFINITIONS, INTERPRETATION AND APPLICATION

1.1 Definitions - In this Instrument:

"associated party" means, if used to indicate a relationship with a person or company:

(a) a trust or estate in which:

(i) that person or company has a substantial beneficial interest, unless that trust or estate is managed under discretionary authority by a person or company that is not a member of any professional group of which the first mentioned person or company is a member; or

(ii) that person or company serves as trustee or in a similar capacity;

(b) an issuer in respect of which that person or company beneficially owns or controls, directly or indirectly, voting securities carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the issuer; or

(c) a relative, including the spouse, of that person, or a relative of that person's spouse, if:

(i) the relative has the same home as that person; and

(ii) the person has discretionary authority over the securities held by the relative;

"connected issuer" means, for a registrant:

(a) an issuer distributing securities, if the issuer or a related issuer of the issuer has a relationship with any of the following persons or companies that may lead a reasonable prospective purchaser of the securities to question if the specified firm registrant and the issuer are independent of each other for the distribution:

(i) the specified firm registrant;

(ii) a related issuer of the specified firm registrant;

(iii) a director, officer or partner of the specified firm registrant;

(iv) a director, officer or partner of a related issuer of the specified firm registrant; or

(b) a selling securityholder distributing securities, if the selling securityholder or a related issuer of the selling securityholder has a relationship with any of the following persons or companies that may lead a reasonable prospective purchaser of the securities to question if the specified firm registrant and the selling securityholder are independent of each other for the distribution:

(i) the specified firm registrant;

(ii) a related issuer of the specified firm registrant;

(iii) a director, officer or partner of the specified firm registrant;

(iv) a director, officer or partner of a related issuer of the specified firm registrant;

"direct underwriter" means, for a distribution:

(a) an underwriter that is in a contractual relationship with the issuer or selling securityholder to distribute the securities that are being offered in the distribution; or

(b) a dealer manager, if the distribution is a rights offering;

"foreign issuer" has the meaning ascribed to that term in National Instrument 71-101 The Multijurisdictional Disclosure System;

"independent underwriter" means, for a distribution, a direct underwriter that is not the issuer or the selling securityholder in the distribution and in respect of which neither the issuer nor the selling securityholder is a connected issuer or a related issuer;

"influential securityholder" means, in relation to an issuer:

(a) a person or company or professional group that:

(i) holds, has the power to direct the voting of, or has direct or indirect beneficial ownership of, voting securities entitling the person or company or professional group to cast more than 20 percent of the votes for the election or removal of directors of the issuer;

(ii) holds, has the power to direct the voting of, or has direct or indirect beneficial ownership of, equity securities entitling the person or company or professional group to receive more than 20 percent of the dividends or distributions to the holders of the equity securities of the issuer, or more than 20 percent of the amount to be distributed to the holders of equity securities of the issuer on the liquidation or winding up of the issuer;

(iii) controls or is a partner of the issuer if the issuer is a general partnership; or

(iv) controls or is a general partner of the issuer if the issuer is a limited partnership;

(b) a person or company or professional group that:

(i) holds, has the power to direct the voting of, or has direct or indirect beneficial ownership of:

(A) voting securities entitling the person or company or professional group to cast more than 10 percent of the votes for the election or removal of directors of the issuer; or

(B) equity securities entitling the person or company or professional group to receive more than 10 percent of the dividends or distributions to the holders of the equity securities of the issuer, or more than 10 percent of the amount to be distributed to the holders of equity securities of the issuer on the liquidation or winding up of the issuer; and

(ii) either:

(A) together with its related issuers:

(I) is entitled to nominate at least 20 percent of the directors of the issuer or of a related issuer of the issuer; or

(II) has officers, directors or employees who are also directors of the issuer or a related issuer of the issuer, constituting at least 20 percent of the directors of the issuer or of the related issuer; or

(B) is a person or company of which the issuer, together with its related issuers:

(I) is entitled to nominate at least 20 percent of the directors of the person or company or at least 20 percent of the directors of a related issuer of the person or company; or

(II) has officers, directors or employees who are also directors of the person or company or a related issuer of the person or company, constituting at least 20 percent of the directors of the person or company or of the related issuer of the person or company; or

(c) a person or company:

(i) of which the issuer holds, has the power to direct the voting of, or has direct or indirect beneficial ownership of:

(A) voting securities entitling the issuer to cast more than 10 percent of the votes for the election or removal of directors of the person or company; or

(B) equity securities entitling the issuer to receive more than 10 percent of the dividends or distributions to the holders of the equity securities of the person or company, or more than 10 percent of the amount to be distributed to the holders of equity securities of the person or company on the liquidation or winding up of the person or company; and

(ii) either:

(A) that, together with its related issuers:

(I) is entitled to nominate at least 20 percent of the directors of the issuer or of a related issuer of the issuer; or

(II) has officers, directors or employees who are also directors of the issuer or a related issuer of the issuer, constituting at least 20 percent of the directors of the issuer or of the related issuer; or

(B) of which the issuer, together with its related issuers:

(I) is entitled to nominate at least 20 percent of the directors of the person or company or at least 20 percent of the directors of a related issuer of the person or company; or

(II) has officers, directors or employees who are also directors of the person or company or a related issuer of the person or company, constituting at least 20 percent of the directors of the person or company or of the related issuer of the person or company; or

(d) if a professional group is within paragraph (a) or (b), the specified firm specified firm registrant of the professional group;

"professional group" means a group comprised of a specified firm registrant and all of the following persons or companies:

(a) any employee of the specified firm registrant;

(b) any partner, officer or director of the specified firm registrant;

(c) any affiliate of the specified firm registrant;

(d) any associated party of any person or company described in paragraphs (a) through (c) or of the specified firm registrant;

"related issuer" means a party described in subsection 1.2(2);

"special warrant" means a security that, by its terms or the terms of an accompanying contractual obligation, entitles or requires the holder to acquire another security without payment of material additional consideration and obliges the issuer of the special warrant or the other security to undertake efforts to file a prospectus to qualify the distribution of the other security; and

"specified firm registrant" means a person or company registered, or required to be registered, under securities legislation as a registered dealer, registered adviser or registered investment fund manager.

1.2 Interpretation

(1) For the purposes of calculating a percentage of securities that are owned, held or under the direction of a person or company in the definition of **"influential securityholder"**:

(a) the determination shall be made:

(i) first, by including in the calculation only voting securities or equity securities that are outstanding;

and

(ii) second, if the person or company is not an influential securityholder by reason of a calculation under subparagraph (i), by including all voting securities or equity securities that would be outstanding if all outstanding securities that are convertible or exchangeable into voting securities or equity securities, and all outstanding rights to acquire securities that are convertible into, exchangeable for, or carry the right to acquire, voting securities or equity securities, are considered to have been converted, exchanged or exercised, as the case may be; and

(b) securities held by a specified firm registrant in its capacity as an underwriter in the course of a distribution are considered not to be securities that the specified firm registrant holds, has the power to direct the voting of, or has direct or indirect beneficial ownership of.

(2) A person or company is a "related issuer" of another person or company if:

(a) the person or company is an influential securityholder of the other person or company;

(b) the other person or company is an influential securityholder of the person or company; or

(c) each of them is a related issuer of the same third person or company.

(3) Calculations of time required to be made in this Instrument in relation to a "distribution" shall be made in relation to the date on which the underwriting or agency agreement for the distribution is signed.

1.3 Application of Instrument - This Instrument does not apply to a distribution of:

(a) securities described in the provisions of securities legislation listed in Appendix A; or

(b) mutual fund securities.

PART 2 RESTRICTIONS ON UNDERWRITING

2.1 Restrictions on Underwriting

(1) No specified firm registrant shall act as an underwriter in a distribution of securities in which it is the issuer or selling securityholder, or as a direct underwriter in a distribution of securities of or by a connected issuer or a related issuer of the specified firm registrant, unless the distribution is made under a prospectus or another document that, in either case, contains the information specified in Appendix C.

(2) For a distribution of special warrants or a distribution made under a prospectus, no specified firm registrant shall act:

(a) as an underwriter if the specified firm registrant is the issuer or selling securityholder in the distribution; or

(b) as a direct underwriter if a related issuer of the specified firm registrant is the issuer or selling securityholder in the distribution.

(3) Subsection (2) does not apply to a distribution:

(a) in which:

(i) at least one specified firm registrant acting as direct underwriter acts as principal, so long as an independent underwriter underwrites not less than the lesser of:

(A) 20 percent of the dollar value of the distribution; and

(B) the largest portion of the distribution underwritten by a specified firm registrant that is not an independent underwriter; or

(ii) each specified firm registrant acting as direct underwriter acts as agent and is not obligated to act as principal, so long as an independent underwriter receives a portion of the total agents' fees equal to an amount not less than the lesser of:

(A) 20 percent of the total agents' fees for the distribution; and

(B) the largest portion of the agents' fees paid or payable to a specified firm registrant that is not an independent underwriter; and

(b) the identity of the independent underwriter and disclosure of the role of the independent underwriter in the structuring and pricing of the distribution and in the due diligence activities performed by the underwriters for the distribution is contained in:

(i) a document relating to the special warrants that is delivered to the purchaser of the special warrants before that purchaser enters into a binding agreement of purchase and sale for the special warrants, for a distribution of special warrants; or

(ii) the prospectus, for a distribution made under a prospectus.

2.2 Calculation Rules - The following rules shall be followed in calculating the size of a distribution and the amount of independent underwriter involvement required for purposes of subsection 2.1(3):

(a) For a distribution that is made entirely in Canada, the calculation shall be based on the aggregate dollar value of securities distributed in Canada or the aggregate agents' fees relating to the distribution in Canada, and the aggregate dollar value of the distribution underwritten, or aggregate dollar value of agents' fees received, by the independent underwriter in Canada.

(b) For a distribution that is made partly in Canada of securities of an issuer that is not a foreign issuer, the calculation shall be based on the aggregate dollar value of securities distributed in Canada and outside of Canada or the aggregate agents' fees relating to the distribution in Canada and outside of Canada, and the aggregate dollar value of the distribution underwritten, or aggregate dollar value of agents' fees received, by the independent underwriter in Canada and outside of Canada.

(c) For a distribution that is made partly in Canada by a foreign issuer and that is not exempt from the requirements of subsection 2.1(2) by subsection 2.1(3) or by section 3.2, the calculation shall be based on the dollar value of securities distributed in Canada or the agents' fees relating to the distribution paid or payable in Canada, and the dollar value of the distribution underwritten, or aggregate dollar value of agents' fees received, by the independent underwriter in Canada.

PART 3 NON-DISCRETIONARY EXEMPTIONS

3.1 Exemption from Disclosure Requirement - Subsection 2.1(1) does not apply to a distribution that:

(a) is made under a document other than a prospectus if each of the purchasers of the securities:

(i) is a related issuer of the specified firm registrant;

(ii) purchases as principal; and

(iii) does not purchase as underwriter; or

(b) is made under section 2.8 of National Instrument 45-102 Resale of Securities.

3.2 Exemption from Independent Underwriter Requirement - Subsection 2.1(2) does not apply to a distribution of securities of a foreign issuer if more than 85 percent of the aggregate dollar value of the distribution is made outside of Canada or if more than 85 percent of the agents' fees relating to the distribution are paid or payable outside of Canada.

PART 4 VALUATION REQUIREMENT

4.1 Valuation Requirement - A purchaser of securities offered in a distribution for which information is required to be given under subsection 2.1(1) shall be given a document that contains a summary of a valuation of the issuer by a member of the Canadian Institute of Chartered Business Valuators, a chartered accountant or by a registered dealer of which the issuer is not a related issuer, and that specifies a reasonable time and place at which the valuation may be inspected during the distribution, if:

(a) the issuer in the distribution:

(i) is not a reporting issuer;

(ii) is a registered dealer, or an issuer all or substantially all of whose assets are securities of a registered dealer;

(iii) is issuing voting securities or equity securities; and

(iv) is effecting the distribution other than under a prospectus; and

(b) there is no independent underwriter that satisfies subsection 2.1(3).

PART 5 EXEMPTION

5.1 Exemption

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

5.2 Evidence of Exemption - Without limiting the manner in which an exemption under section 5.1 may be evidenced, the issuance by the regulator of a receipt for a prospectus or an amendment to a prospectus is evidence of the granting of the exemption if:

(a) the person or company that sought the exemption has delivered to the regulator, on or before the date that the preliminary prospectus or an amendment to the preliminary prospectus was filed, a letter or memorandum describing the matters relating to the exemption and indicating why consideration should be given to the granting of the exemption; and

(b) the regulator has not sent written notice to the contrary to the person or company that sought the exemption before, or concurrent with, the issuance of the receipt.

NATIONAL INSTRUMENT 33-105

APPENDIX A

EXEMPT SECURITIES

Jurisdiction	**Section Legislation Reference**
All	Sections 2.20, 2.21, 2.35, 2.38 and 2.39 of National Instrument 45-106 *Prospectus and Registration Exemptions*
All except Ontario	Sections 2.34, 2.36 and 2.37 of National Instrument 45-106 *Prospectus and Registration Exemptions*
Alberta	Section 87(h), (h.1) and (h.2) of the *Securities Act* (Alberta)
Manitoba	Subsection 19(2)(g) and (h) of the *Securities Act* (Manitoba)
Newfoundland and Labrador	Subsections 36(2)(h) and (i) of the *Securities Act* (Newfoundland and Labrador)
Nova Scotia	Clause 41(2)(i) of the *Securities Act* (Nova Scotia)
Ontario	Paragraphs 73(1)(a) and (b) of the *Securities Act* (Ontario) Sections 2.4 to 2.6 of OSC Rule 45-501 Paragraphs 2.34(2)(b),(d.1),(e) and (f) of National Instrument 45-106 *Prospectus and Registration Exemptions*
Prince Edward Island	Subsection 2(4)(f) and (g) of the *Securities Act* (Prince Edward Island)
Quebec	Section 41 of the *Securities Act* (Québec)
Saskatchewan	Subsection 39(2)(i) and (j) of *The Securities Act, 1988* (Saskatchewan)

NATIONAL INSTRUMENT 33-105

APPENDIX C

REQUIRED INFORMATION

REQUIRED INFORMATION FOR THE FRONT PAGE OF THE PROSPECTUS OR OTHER DOCUMENT

1. A statement in bold type, naming the relevant specified firm registrant or registrants, that the issuer or the selling securityholder is a connected issuer or a related issuer of a specified firm registrant or registrants in connection with the distribution.

2. A summary, naming the relevant specified firm registrant or registrants, of the basis on which the issuer or selling securityholder is a connected issuer or a related issuer of the specified firm registrant or registrants.

3. A cross-reference to the applicable section in the body of the prospectus or other document where further information concerning the relationship between the issuer or selling securityholder and specified firm registrant or registrants is provided.

REQUIRED INFORMATION FOR THE BODY OF THE PROSPECTUS OR OTHER DOCUMENT

4. A statement, naming the relevant specified firm registrant or registrants, that the issuer or the selling securityholder is a connected issuer or a related issuer of a specified firm registrant or registrants for the distribution.

5. The basis on which the issuer or selling securityholder is a connected issuer or a related issuer for each specified firm registrant referred to in paragraph 4, including:

(a) if the issuer or selling securityholder is a related issuer of the specified firm registrant, the details of the holding, power to direct voting, or direct or indirect beneficial ownership of, securities that cause the issuer or selling securityholder to be a related issuer;

(b) if the issuer or selling securityholder is a connected issuer of the specified firm registrant because of indebtedness, the disclosure required by paragraph 6 of this Appendix; and

(c) if the issuer or selling securityholder is a connected issuer of the specified firm registrant because of a relationship other than indebtedness, the details of that relationship.

6. If the issuer or selling securityholder is a connected issuer of the specified firm registrant because of indebtedness:

(a) the amount of the indebtedness;

(b) the extent to which the issuer or selling securityholder is in compliance with the terms of the agreement governing the indebtedness;

(c) the extent to which a related issuer has waived a breach of the agreement since its execution;

(d) the nature of any security for the indebtedness; and

(e) the extent to which the financial position of the issuer or selling securityholder or the value of the security has changed since the indebtedness was incurred.

7. The involvement of each specified firm registrant referred to in paragraph 4 and of each related issuer of the specified firm registrant in the decision to distribute the securities being offered and the determination of the terms of the distribution, including disclosure concerning whether the issue was required, suggested or consented to by the specified firm registrant or a related issuer of the specified firm registrant and, if so, on what basis.

8. The effect of the issue on each specified firm registrant referred to in paragraph 4 and each related issuer of that specified firm registrant, including:

(a) information about the extent to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the specified firm registrant or a related issuer of the specified firm registrant; or

(b) if the proceeds will not be applied for the benefit of the specified firm registrant or a related issuer of the specified firm registrant, a statement to that effect.

9. If a portion of the proceeds of the distribution is to be directly or indirectly applied to or towards:

(a) the payment of indebtedness or interest owed by the issuer, an associate or related issuer of the issuer, a person or company of which the issuer is an associate, the selling securityholder, an associate or related issuer of the selling securityholder, a person or company of which the selling securityholder is an associate, to the specified firm registrant or a related issuer of the specified firm registrant; or

(b) the redemption, purchase for cancellation or for treasury, or other retirement of shares other than equity securities of the issuer, an associate or related issuer of the issuer, a person or company of which the issuer is an associate, the selling securityholder, an associate or related issuer of the selling securityholder, or of a person or company of which the selling securityholder is an associate, held by the specified firm registrant or a related issuer of the specified firm registrant particulars of the indebtedness or shares in respect of which the payment is to be made and of the payment proposed to be made.

10. Any other material facts with respect to the relationship or connection between each specified firm registrant referred to in paragraph 4, a related issuer of each specified firm registrant and the issuer that are not required to be described by the foregoing.

SPECIFIED FIRM REGISTRANT AS ISSUER OR SELLING SECURITYHOLDER

11. If the specified firm registrant is the issuer or selling securityholder in the distribution, then the information required by this Appendix shall be provided to the extent applicable.

23 Sep 2005 SR 100/2005 s10; 2 Oct 2009 SR 81/2009 s14.

PART XLV
[*Clause 2(ss)*]

NATIONAL INSTRUMENT 81-107
INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS

Introduction

This National Instrument (the Instrument) contains both rules and accompanying commentary on those rules. The Canadian Securities Administrators (the CSA or we), have made these rules under authority granted by the securities legislation of their jurisdiction.

The commentary may explain the implications of a rule, offer examples or indicate different ways to comply with a rule. It may expand on a particular subject without being exhaustive. The commentary is not legally binding, but it does reflect the views of the CSA. Commentary always appears in italic type and, outside of this introduction, is titled 'Commentary'.

PART 1 DEFINITIONS AND APPLICATION

1.1 Investment funds subject to Instrument

(1) This Instrument applies to an investment fund that is a reporting issuer.

(2) In Québec, this Instrument does not apply to a reporting issuer organized under:

(a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;

(b) an Act to establish Fondaction, le Fonds de dévelopement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2); and

(c) an Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

Commentary

1 This Instrument applies to all publicly offered mutual funds and non-redeemable investment funds. Investment funds subject to this Instrument include:

- *labour sponsored or venture capital funds;*
- *scholarship plans;*
- *mutual funds and closed-end funds listed and posted for trading on a stock exchange or quoted on an over-the-counter market; and*
- *investment funds not governed by National Instrument 81-102 Mutual Funds (NI 81-102).*

2 This Instrument does not regulate mutual funds that are not reporting issuers (commonly referred to as pooled funds), for example, mutual funds that sell securities to the public only under capital raising exemptions in securities legislation.

1.2 Definition of conflict of interest matter

In this Instrument, **"a conflict of interest matter"** means:

(a) a situation where a reasonable person would consider a manager, or an entity related to the manager, to have an interest that may conflict with the manager's ability to act in good faith and in the best interests of the investment fund; or

(b) a conflict of interest or self-dealing provision listed in Appendix A that restricts or prohibits an investment fund, a manager or an entity related to the manager from proceeding with a proposed action.

Commentary

1 Section 5.1 of this Instrument requires that a manager refer all conflict of interest matters to the independent review committee (IRC).

2 The CSA do not consider the "reasonable person" test described in clause (a) to capture inconsequential matters. It is expected that, among the factors the manager will look to for guidance to identify conflict of interest matters caught by this Instrument will be industry best practices. The CSA expect, however, each manager to consider the nature of its investment fund operations when making its decisions about which conflict of interest matters it faces for the funds it manages.

3 The types of conflicts of interest faced by the portfolio manager or portfolio adviser (or sub-adviser) or any other entity related to the manager this Instrument captures relate to the decisions made on behalf of the investment fund that may affect or influence the manager's ability to make decisions in good faith and in the best interests of the investment fund. This Instrument is not intended to capture the conflicts of interest at the service provider level generally.

The CSA expect the manager to consider whether a particular portfolio manager or portfolio adviser or any other 'entity related to the manager' would have any conflicts of interest falling within the definition.

For example, clause (a) might, depending on the circumstances, capture these conflicts of the portfolio manager or portfolio adviser:

- portfolio management processes for the investment fund, including allocation of investments among a family of investment funds; and

- trading practices for the investment fund, including negotiating soft dollar arrangements with dealers with whom the adviser places portfolio transactions for the investment fund.

4 The CSA contemplate that an "entity related to the manager" will have its own policies and procedures to address any conflicts of interest in its operations. It is expected the manager will make reasonable inquiries of these policies and procedures. The conflicts of interest facing these entities, including any third party portfolio manager or portfolio adviser, may affect, or be perceived to affect, the manager's ability to make decisions in the best interests of the investment fund. The manager is expected to refer such conflicts to the IRC under this Instrument.

5 For greater certainty, clause (b) requires that a "conflict of interest matter" includes any course of action that the investment fund, the manager or an entity related to the manager would otherwise be restricted or prohibited from proceeding with because of a conflict of interest or self-dealing prohibition in securities legislation. These include the types of transactions described under subsection 5.2(1) of this Instrument.

1.3 Definition of entity related to the manager

In this Instrument, **"entity related to the manager"** means:

(a) a person or company that can direct or materially affect the direction of the management and policies of the manager or the investment fund, other than as a member of the independent review committee; or

(b) an associate, affiliate, partner, director, officer or subsidiary of the manager or of a person or company referred to in paragraph (a).

Commentary

1 The CSA consider an 'entity related to the manager' in clause (a) to include:

- *the portfolio manager or portfolio adviser (or sub-adviser) of the investment fund, including any third party portfolio manager or portfolio adviser;*
- *the administrator of a scholarship plan; and*
- *any person or company that can materially direct or affect the manager's management or policies, including through contractual agreements or ownership of voting securities.*

1.4 Definition of independent

(1) In this Instrument, a member of the independent review committee is **"independent"** if the member has no material relationship with the manager, the investment fund, or an entity related to the manager.

(2) For the purposes of subsection (1), a material relationship means a relationship which could reasonably be perceived to interfere with the member's judgment regarding a conflict of interest matter.

Commentary

1 Under subsection 3.7(3), all members of the IRC must be independent of the manager, the investment fund and entities related to the manager. The CSA believe that all members must be independent because the principal function of the IRC is to review activities and transactions that involve inherent conflicts of interest between an investment fund and its manager. Given this role, it is important that the members of the IRC are free from conflicting loyalties.

2 While the members of the IRC should not themselves be subject to inherent conflicts or divided loyalties, the CSA recognize that there may be inherent conflicts relating to inter-fund issues where a single IRC acts for a family of investment funds. In those cases, this Instrument requires members to conduct themselves in accordance with their written charter and in accordance with the standard of care set out in this Instrument.

The CSA do not consider the IRC's ability to set its own reasonable compensation to be a material relationship with the manager or investment fund under subsection 1.4(1).

3 A material relationship referred to in subsection 1.4(1) may include an ownership, commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship. The CSA expect managers and IRC members to consider both past and current relationships when determining whether a material relationship exists.

For example, depending on the circumstances, the following individuals may be independent under section 1.4:

- *an independent member of an existing advisory board or IRC of an investment fund;*

- *an independent member or former independent member of the board of directors, or of a special committee of the board of directors, of an investment fund;*

- *a former independent member of the board of directors, or special committee of the board of directors, of the manager;*

- *an individual appointed as a trustee for an investment fund; and*

- *an independent member of the board of directors, or of a special committee of the board of directors, of a registered trust company that acts as trustee for an investment fund.*

By way of further example, the CSA consider it unlikely that the following individuals would be independent under section 1.4:

- *a person who is or has recently been an employee or executive officer of the manager or investment fund; and*

- *a person whose immediate family member is or has recently been an executive officer of the manager or investment fund.*

The CSA also consider that it would be rare that a member of the board of directors, or special committee of the board of directors, of a manager could be "independent" within the meaning of this Instrument. One such example of when a member of the board of directors of a manager could be "independent" may be owner-operated investment funds, sold exclusively to defined groups of investors, such as members of a trade or professional association or co-operative organization, who directly or indirectly, own the manager. In the case of these investment funds, the CSA view the interests of the independent members of the board of directors of the manager and investors as aligned.

1.5 Definition of inter-fund self-dealing investment prohibitions

In this Instrument, **"inter-fund self-dealing investment prohibitions"** means the provisions listed in Appendix B that prohibit:

(a) a portfolio manager from knowingly causing any investment portfolio managed by it to purchase or sell; or

(b) an investment fund from purchasing or selling;

the securities of an issuer from or to the account of a responsible person, an associate of a responsible person or the portfolio manager.

1.6 Definition of manager

In this Instrument, **"manager"** means a person or company that directs the business, operations and affairs of an investment fund.

Commentary

1 The CSA are of the view that the term "manager" should be interpreted broadly.

The term "manager" is intended to include a group of members on the board of an investment fund or the general partner of an investment fund organized as a limited partnership, where it acts in the capacity of 'manager'/decision-maker.

2 The CSA have, in connection with prospectus reviews, on occasion encountered investment funds structured in unusual ways. The CSA may examine an investment fund if it seems that it was structured to avoid the operation of this Instrument.

1.7 Definition of standing instruction

In this Instrument, **"standing instruction"** means a written approval or recommendation from the independent review committee that permits the manager to proceed with a proposed action under section 5.2 or 5.3 on an ongoing basis.

PART 2 FUNCTIONS OF THE MANAGER

2.1 Manager standard of care

A manager in exercising its powers and discharging its duties related to the management of the investment fund must:

(a) act honestly and in good faith, and in the best interests of the investment fund; and

(b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Commentary

1 This section introduces a required standard of care for managers in certain jurisdictions and is intended to create a uniform standard of care provision for managers of investment funds subject to this Instrument.

2.2 Manager to have written policies and procedures

(1) Before proceeding with a conflict of interest matter or any other matter that securities legislation requires the manager to refer to the independent review committee, the manager must:

(a) establish written policies and procedures that it must follow on that matter or on that type of matter, having regard to its duties under securities legislation; and

(b) refer the policies and procedures to the independent review committee for its review and input.

(2) In establishing the written policies and procedures described in subsection (1), the manager must consider the input of the independent review committee, if any.

(3) The manager may revise its policies and procedures if it provides the independent review committee with a written description of any significant changes for the independent review committee's review and input before implementing the revisions.

Commentary

1 Section 2.2 contemplates that a manager should identify for each investment fund the conflict of interest matters it expects will arise and that will be required to be referred to the IRC under section 5.1, and review its policies and procedures for those matters with the IRC.

Section 2.2 further requires the manager to establish policies and procedures for other matters it expects will arise and that will be required by securities legislation to be referred to the IRC, for example, certain reorganizations and transfers of assets between related mutual funds under Part 5 of NI 81-102.

2 A manager is expected to establish policies and procedures that are consistent with its obligations to the investment fund under securities legislation to make decisions in the best interests of the fund. Clause (1)(a) is intended to reinforce this obligation.

A manager that manages more than one investment fund may establish policies and procedures for an action or category of actions for all of the investment funds it manages. Alternatively, the manager may establish separate policies and procedures for the action or category of actions for each of its investment funds, or groups of its investment funds.

However structured, the CSA expect the written policies and procedures the manager establishes to be designed to prevent any violations by the manager and the investment fund of securities legislation in the areas that this Instrument addresses, and to detect and promptly correct any violations that occur.

3 A manager is expected to follow the policies and procedures established under this section. In referring a matter to the IRC under section 5.1, the CSA expect the manager to inform the IRC whether its proposed action follows its written policies and procedures on the matter.

If an unanticipated conflict of interest matter arises for which the manager does not have a policy and procedure, the CSA expect the manager to bring the matter and its proposed action to the IRC for its review and input at the time the matter is referred to the IRC.

4 Small investment fund families may require fewer written policies and procedures than large fund complexes that, for example, have conflicts of interest as a result of affiliations with other financial service firms.

2.3 Manager to maintain records

A manager must maintain a record of any activity that is subject to the review of the independent review committee, including:

(a) a copy of the policies and procedures that address the matter;

(b) minutes of its meetings, if any; and

(c) copies of materials, including any written reports, provided to the independent review committee.

Commentary

1 This section is intended to assist the CSA in determining whether the manager is adhering to this Instrument, and in identifying weaknesses in the manager's policies and procedures if violations do occur. The CSA expect managers to keep records in accordance with existing best practices.

2 A manager is expected under this section to keep minutes only of any material discussions it has at meetings with the IRC or internally on matters subject to the review of the IRC.

The CSA do not view this section or this Instrument as preventing the IRC and manager from sharing record keeping and maintaining joint records of IRC and manager meetings.

3 The CSA expect a manager to keep records of the actions it takes in respect of a matter referred to the IRC. This includes any otherwise restricted or prohibited transactions described in subsection 5.2(1) for which the manager requires the IRC's approval under Part 6 of this Instrument or under Part 4 of NI 81-102.

2.4 Manager to provide assistance

(1) When a manager refers to the independent review committee a conflict of interest matter or any other matter that securities legislation requires it to refer, or refers its policies and procedures related to such matters, the manager must:

(a) provide the independent review committee with information sufficient for the independent review committee to properly carry out its responsibilities, including:

(i) a description of the facts and circumstances giving rise to the matter;

(ii) the manager's policies and procedures;

(iii) the manager's proposed course of action, if applicable; and

(iv) all further information the independent review committee reasonably requests;

(b) make its officers who are knowledgeable about the matter available to attend meetings of the independent review committee or respond to inquiries of the independent review committee about the matter; and

(c) provide the independent review committee with any other assistance it reasonably requests in its review of the matter.

(2) A manager must not prevent or attempt to prevent the independent review committee, or a member of the independent review committee, from communicating with the securities regulatory authority or regulator.

PART 3 INDEPENDENT REVIEW COMMITTEE

3.1 Independent review committee for an investment fund

An investment fund must have an independent review committee.

Commentary

1 A manager is expected to establish an IRC using a structure that is appropriate for the investment funds it manages, having regard to the expected workload of that committee. For example, a manager may establish one IRC for each of the investment funds it manages, for several of its investment funds or for all of its investment funds.

2 This Instrument does not prevent investment funds from sharing an IRC with investment funds managed by another manager. This Instrument also does not prevent a third party from offering IRCs for investment funds. Managers of smaller families of investment funds may find these to be cost-effective ways to establish IRCs for their investment funds.

3.2 Initial appointments

The manager must appoint each member of an investment fund's first independent review committee.

3.3 Vacancies and reappointments

(1) An independent review committee must fill a vacancy on the independent review committee as soon as practicable.

(2) A member whose term has expired, or will soon expire, may be reappointed by the other members of the independent review committee.

(3) In filling a vacancy on the independent review committee or reappointing a member of the independent review committee, the independent review committee must consider the manager's recommendations, if any.

(4) A member may not be reappointed for a term or terms of office that, if served, would result in the member serving on the independent review committee for longer than 6 years, unless the manager agrees to the reappointment.

(5) If, for any reason, an independent review committee has no members, the manager must appoint a member to fill each vacancy as soon as practicable.

Commentary

1 Consistent with the manager's role to appoint the first members of an IRC, if at any time the IRC has no members, the manager will also appoint the replacement members. The CSA anticipate that the circumstances contemplated in subsection (5) will occur rarely, such as in the event of a change of manager or change in control of the manager. In these circumstances, managers should consider their timely disclosure obligations under securities legislation.

2 The manager may suggest candidates and may provide assistance to the IRC in the selection and recruitment process when a vacancy arises. Subsection (3) requires the IRC to consider the manager's recommendation, if any, when filling a vacancy or reappointing a member of the IRC.

The CSA believe that allowing the IRC to select its own members and decide the term a member can serve will foster independent-minded committees that will be focussed on the best interests of the investment fund. The CSA also consider the members of the IRC to be best-positioned to judge the manner in which a prospective member can contribute to the effectiveness of the IRC.

3 The maximum term limit of 6 years specified in subsection (4) for a member to serve on an investment fund's IRC is intended to enhance the independence and effectiveness of the IRC. An IRC may reappoint a member beyond the maximum term, but only with the agreement of the manager.

3.4 Term of office

The term of office of a member of an independent review committee must be not less than 1 year and not more than 3 years, and must be set by the manager or the independent review committee, as the case may be, at the time the member is appointed.

Commentary

1 To ensure continuity and continued independence from the manager, the CSA recommend that the terms of all IRC members be staggered.

3.5 Nominating criteria

Before a member of the independent review committee is appointed, the manager or the independent review committee, as the case may be, must consider:

(a) the competencies and skills the independent review committee, as a whole, should possess;

(b) the competencies and skills of each other member of the independent review committee; and

(c) the competencies and skills the prospective member would bring to the independent review committee.

Commentary

1 Section 3.5 sets out the criteria the manager and the IRC must consider before appointing a member of the IRC. Subject to these requirements, the manager and the IRC may establish nominating criteria in addition to those set out in this section.

3.6 Written charter

(1) The independent review committee must adopt a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

(2) If the independent review committee and the manager agree in writing that the independent review committee will perform functions other than those prescribed by securities legislation, the charter must include a description of the functions that are the subject of the agreement.

(3) In adopting the charter, the independent review committee must consider the manager's recommendations, if any.

Commentary

1 The CSA expect the written charter to set out the necessary policies and procedures to ensure the IRC performs its role adequately and effectively and in compliance with this Instrument. An IRC acting for more than one investment fund may choose to establish a separate charter for each fund. Alternatively, an IRC may choose to establish one charter for all of the investment funds it oversees or groups of investment funds.

2 The IRC should consider the specific matters subject to its review when developing the policies and procedures to be set out in its charter.

3 Without discussing all of the policies and procedures that may be set out in the written charter, the CSA expect that the written charter will include the following:

- *policies and procedures the IRC must follow when reviewing conflict of interest matters, criteria for the IRC to consider in setting its compensation and expenses and the compensation and expenses of any advisors employed by the IRC,*

- *a policy relating to IRC member ownership of securities of the investment fund, manager or in any person or company that provides services to the investment fund or the manager,*

- *policies and procedures that describe how a member of the IRC is to conduct himself or herself when he or she faces a conflict of interest, or could be perceived to face a conflict of interest, with respect to a matter being considered or to be considered by the IRC,*

- *policies and procedures that describe how the IRC is to interact with any existing advisory board or board of directors of the investment fund and the manager, and*

- *policies and procedures that describe how any subcommittee of the IRC to which has been delegated any of the functions of the IRC, is to report to the IRC.*

4 The manager and the IRC may agree that the IRC will perform functions in addition to those prescribed by this Instrument and elsewhere in securities legislation. This Instrument does not preclude those arrangements, nor does this Instrument regulate those arrangements.

3.7 Composition

(1) An independent review committee must have at least three members.

(2) The size of the independent review committee is to be determined by the manager, with a view to facilitating effective decision-making, and may only be changed by the manager.

(3) Every independent review committee member must be independent.

(4) An independent review committee must appoint a member as Chair.

(5) The Chair of an independent review committee is responsible for managing the mandate, and responsibilities and functions, of the independent review committee.

Commentary

1 To ensure its effectiveness, a manager should consider the workload of the IRC when determining its size. The CSA expect that the manager will seek the input of the IRC prior to changing the size of the IRC.

2 The CSA anticipate that the Chair of the IRC will lead IRC meetings, foster communication among IRC members, and ensure the IRC carries out its responsibilities in a timely and effective manner.

The CSA expect the IRC Chair will be the primary person to interact with the manager on issues relating to the investment fund. An IRC Chair and the manager may agree to have regular communication as a way for the IRC Chair to keep informed of the operations of the investment fund between meetings, and of any significant events relating to the investment fund.

3 The requirement that all members of the IRC be independent does not preclude the IRC from consulting with others who can help the members understand matters that are beyond their specific expertise, or help them understand industry practices or trends, for example.

3.8 Compensation

(1) The manager may set the initial compensation and expenses of an independent review committee that is appointed under section 3.2 or subsection 3.3(5).

(2) Subject to subsection (1), the independent review committee must set reasonable compensation and proper expenses for its members.

(3) When setting its compensation and expenses under subsection (2), the independent review committee must consider:

(a) the independent review committee's most recent assessment of its compensation under clause 4.2(2)(b); and

(b) the manager's recommendations, if any.

Commentary

1 This section permits the manager to determine the amount and type of compensation and expenses the IRC members will initially receive. To avoid undue influence from the manager, subsection (2) requires that, subsequent to the initial setting of compensation and other than in the unusual circumstance described in subsection 3.3(5), members of the IRC have the sole authority for determining their compensation. The Instrument permits the manager to recommend to the members of the IRC the amount and type of compensation to be paid, and requires the IRC to consider that recommendation.

2 The CSA expect the IRC and the manager to decide the IRC's compensation in a manner consistent with good governance practices. Among the factors the IRC and the manager should consider when determining the appropriate level of compensation are the following:

- *the number, nature and complexity of the investment funds and the fund families for which the IRC acts;*
- *the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member;*
- *industry best practices, including industry averages and surveys on IRC compensation; and*
- *the best interests of the investment fund.*

3 The CSA expect that the IRC and the manager will discuss any instance where the IRC disagrees with the manager's recommendations under clause (3)(b), in an attempt to reach an agreement that is satisfactory to both the IRC and the manager.

3.9 Standard of care

(1) Every member of an independent review committee, in exercising his or her powers and discharging his or her duties related to the investment fund, and, for greater certainty, not to any other person, as a member of the independent review committee must:

(a) act honestly and in good faith, with a view to the best interests of the investment fund; and

(b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(2) Every member of an independent review committee must comply with this Instrument and the written charter of the independent review committee required under section 3.6.

(3) A member of the independent review committee does not breach clause (1)(b), if the member exercised the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, including reliance in good faith on:

(a) a report or certification represented as full and true to the independent review committee by the manager or an entity related to the manager; or

(b) a report of a person whose profession lends credibility to a statement made by the person.

(4) A member of the independent review committee has complied with his or her duties under clause (1)(a) if the member has relied in good faith on:

(a) a report or certification represented as full and true to the independent review committee by the manager or an entity related to the manager; or

(b) a report of a person whose profession lends credibility to a statement made by the person.

Commentary

1 The standard of care for IRC members under this section is consistent with the special relationship between the IRC and the investment fund.

The CSA consider the role of the members of the IRC to be similar to corporate directors, though with a much more limited mandate, and therefore we would expect any defences available to corporate directors to also be available to IRC members.

2 The CSA consider the best interests of the investment fund referred to in clause(1)(a) to generally be consistent with the interests of the securityholders in the investment fund as a whole.

3 It is not the intention of the CSA to create a duty of care on the part of the IRC to any other person under clause (1)(b).

3.10 Ceasing to be a member

(1) An individual ceases to be a member of an independent review committee when:

(a) the investment fund terminates;

(b) the manager of the investment fund changes, unless the new manager is an affiliate of the former manager; or

(c) there is a change of control of the manager of the investment fund.

(2) An individual ceases to be a member of an independent review committee if:

(a) the individual resigns;

(b) the individual's term of office expires and the member is not reappointed;

(c) a majority of the other members of the independent review committee vote to remove the individual; or

(d) a majority of the securityholders of the investment fund vote to remove the individual at a special meeting called for that purpose by the manager.

(3) An individual ceases to be a member of the independent review committee if the individual is:

(a) no longer independent within the meaning of section 1.4 and the cause of the member's non-independence is not temporary for which the member can recuse himself or herself;

(b) of unsound mind and has been so found by a court in Canada or elsewhere;

(c) bankrupt;

(d) prohibited from acting as a director or officer of any issuer in Canada;

(e) subject to any penalties or sanctions made by a court relating to provincial and territorial securities legislation; or

(f) a party to a settlement agreement with a provincial or territorial securities regulatory authority.

(4) If an individual ceases to be a member of the independent review committee due to a circumstance described in subsection (2), the manager must, as soon as practicable, notify the securities regulatory authority or regulator of the date and the reason the individual ceased to be a member.

(5) The notification referred to in subsection (4) is satisfied if it is made to the investment fund's principal regulator.

(6) The notice of a meeting of securityholders of an investment fund called to consider the removal of a member under clause (2)(d) must comply with the notice requirements set out in section 5.4 of National Instrument 81-102 *Mutual Funds*.

(7) For any member of the independent review committee who receives notice or otherwise learns of a meeting of securityholders called to consider the removal of the member under clause (2)(d):

(a) the member may submit to the manager a written statement giving reasons for opposing the removal; and

(b) the manager must, as soon as practicable, send a copy of the statement referred to in clause (a) to every securityholder entitled to receive notice of the meeting and to the member unless the statement is included in or attached to the notice documents required by subsection (6).

Commentary

1 The CSA do not anticipate that the securityholder vote contemplated in clause 3.10(2)(d) will be routine. When a manager calls a meeting of securityholders to consider the removal of a member, subsection (7) requires that the member will have an opportunity to respond to the manager's notice.

2 In the circumstances described in clauses 3.10(1)(b) and (c), all members of the IRC will cease to be members. This does not preclude the new manager from reappointing the former members of the IRC under subsection 3.3(5).

3 Clause 3.10(3)(a) is meant to exclude a situation where a member may face, or be perceived to face, a conflict of interest with respect to a specific conflict of interest matter the IRC is considering.

3.11 Authority

(1) An independent review committee has authority to:

(a) request information it determines useful or necessary from the manager and its officers to carry out its duties;

(b) engage independent counsel and other advisors it determines useful or necessary to carry out its duties;

(c) set reasonable compensation and proper expenses for any independent counsel and other advisors engaged by the independent review committee; and

(d) delegate to a subcommittee of at least three members of the independent review committee any of its functions, except the removal of a member under clause 3.10(2)(c).

(2) If the independent review committee delegates to a subcommittee under clause (1)(d) any of its functions, the subcommittee must report on its activities to the independent review committee at least annually.

(3) Despite any other provision in this Instrument, an independent review committee may communicate directly with the securities regulatory authority or regulator with respect to any matter.

Commentary

1 The CSA recognize that utilizing the manager's staff and industry experts may be important to help the members of the IRC deal with matters that are beyond the level of their expertise, or help them understand different practices among investment funds.

While this Instrument does not require legal counsel or other advisers for the IRC to be independent of the manager or the investment fund, there may be instances when the members of the IRC believe they need access to counsel or advisers who are free from conflicting loyalties. Clause (1)(b) gives the IRC the discretion and authority to hire independent legal counsel and other advisers. The CSA expect that the IRC will use independent advisors selectively and only to assist, not replace, IRC decision-making. The CSA do not anticipate that IRCs will routinely use external counsel and other advisers.

2 Clause (1)(d) is intended to allow an IRC of more than three members to delegate any of its functions, except the removal of an IRC member, to a subcommittee of at least three members. The CSA expect in such instances that the written charter of the IRC will include a defined mandate and reporting requirements for any subcommittee.

The CSA do not consider delegation by the IRC of a function to a subcommittee to absolve the IRC from its responsibility for the function.

3 Subsection (3) specifies that the IRC may inform the securities regulatory authority or regulator of any concerns or issues that it may not otherwise be required to report. For example, the IRC may be concerned if very few matters have been referred by the manager for review, or it may have found, or have reasonable grounds to suspect, a breach of securities legislation has occurred. However, the IRC has no obligation to report matters other than those prescribed by this Instrument or elsewhere in securities legislation.

4 The CSA do not consider that this section or this Instrument prevents the manager from communicating with the securities regulatory authorities with respect to any matter.

3.12 Decisions

(1) A decision by the independent review committee on a conflict of interest matter or any other matter that securities legislation requires the independent review committee to review requires the agreement of a majority of the independent review committee's members.

(2) If, for any reason, an independent review committee has two members, a decision by the independent review committee must be unanimous.

(3) An independent review committee with one member may not make a decision.

Commentary

1 This section requires a decision of the members of the IRC to represent the majority. Should the IRC find itself with two members, subsection (2) permits the IRC to continue to make decisions on conflict of interest matters provided the remaining two members agree.

3.13 Fees and expenses to be paid by the investment fund

The investment fund must pay from the assets of its fund all reasonable costs and expenses reasonably incurred in the compliance of this Instrument.

Commentary

1 A manager is expected to allocate the costs associated with the IRC on an equitable and reasonable basis amongst the investment funds for which the IRC acts.

This Instrument does not prohibit a manager from reimbursing the investment fund for any of the costs associated with compliance with this Instrument. It is expected that the prospectus will disclose whether or not the manager will reimburse the investment fund.

2 The CSA do not expect costs that the manager or investment fund would ordinarily incur in the operation of the investment fund without the presence of the IRC (for example, rent) to be charged to the investment fund under this section. Among the costs the CSA expect will be charged to the investment fund under this section are the following:

- *the compensation and expenses payable to the members of the IRC and to any independent counsel and other advisers employed by the IRC;*

- *the costs of the orientation and continuing education of the members of the IRC; and*

- *the costs and expenses associated with a special meeting of securityholders called by the manager to remove a member or members of the IRC.*

3.14 Indemnification and insurance

(1) In this section, **'member'** means:

(a) a member of the independent review committee;

(b) a former member of the independent review committee; and

(c) the heirs, executors, administrators or other legal representatives of the estate of an individual in clause (a) or (b).

(2) An investment fund and manager may indemnify a member against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the person in respect of any civil, criminal, administrative, investigative or other proceeding in which the member is involved because of being or having been a member.

(3) An investment fund and manager may advance moneys to a member for the costs, charges and expenses of a proceeding referred to in subsection (2). The member must repay the moneys if the member does not fulfill the conditions of subsection (4).

(4) An investment fund and manager may not indemnify a member under subsection (2) unless:

(a) the member acted honestly and in good faith, with a view to the best interests of the investment fund; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the member had reasonable grounds for believing that the individual's conduct was lawful.

(5) Despite subsection (2), a member referred to in that subsection is entitled to an indemnity from the investment fund in respect of all costs, charges and expenses reasonably incurred by the member in connection with the defence of any civil, criminal, administrative, investigative or other proceeding to which the member is subject because of the member's association with the investment fund as described in subsection (2), if the member seeking indemnity:

(a) was not judged by the court or other competent authority to have committed any fault or omitted to do anything that ought to have been done; and

(b) fulfills the conditions set out in subsection (4).

(6) An investment fund and manager may purchase and maintain insurance for the benefit of any member referred to in subsection (2) against any liability incurred by the member in his or her capacity as a member.

Commentary

1 This Instrument requires that members of an IRC be accountable for their actions. At the same time, this section does not prevent an investment fund or a manager from limiting a member's financial exposure through insurance and indemnification.

2 This section permits an investment fund and the manager to indemnify and purchase insurance coverage for the members of the IRC on terms comparable to those applicable to directors of corporations. The broad goals underlying the indemnity provisions are to allow for reimbursement for reasonable good faith behaviour, thereby discouraging the hindsight application of perfection to the IRC's actions.

Under this section, the investment fund is required to indemnify an IRC member who has been sued and has successfully defended the action, subject to certain conditions. If the IRC member does not defend the action successfully, the investment fund and manager may indemnify the member in certain circumstances. The intention of indemnity is to encourage responsible behaviour yet still permit enough leeway to attract strong candidates.

The two conditions which must be satisfied in either instance under this section for an IRC member to be indemnified are:

- *the IRC member must have acted in a manner consistent with his or her fiduciary duty with respect to the action or matter for which the IRC member is seeking the indemnification; and*

- *the IRC member must have had reasonable grounds for believing that his or her conduct was lawful.*

The CSA expect any such coverage to be on reasonable commercial terms.

3 It is open to members of the IRC to negotiate contractual indemnities with the manager and the investment fund provided the protection is permissible under this section.

3.15 Orientation and continuing education

(1) The manager and independent review committee must provide orientation consisting of educational or informational programs that enable a new independent review committee member to understand:

(a) the role of the independent review committee and its members collectively; and

(b) the role of the individual member.

(2) The manager may provide a member of the independent review committee with educational or informational programs, as the manager considers useful or necessary, that enable the member to understand the nature and operation of the manager's and investment fund's businesses.

(3) The independent review committee may reasonably supplement the educational and informational programs provided to its members under this section.

Commentary

1 The CSA expect members of the IRC to regularly participate in educational or informational programs that may be useful to the members in understanding and fulfilling their duties.

Section 3.15 sets out only the minimum educational programs that a manager and IRC are expected to provide for members of the IRC. Educational activities could include presentations, seminars or discussion groups conducted by:

- *personnel of the investment fund or manager,*
- *outside experts,*
- *industry groups,*
- *representatives of the investment fund's various service providers, and*
- *educational organizations and institutions.*

2 The CSA expect a discussion of a member's role referred to in paragraph (1)(b) to include a reference to the commitment of time and energy that is expected from the member.

PART 4 FUNCTIONS OF INDEPENDENT REVIEW COMMITTEE

4.1 Review of matters referred by manager

(1) The independent review committee must review and provide its decision under section 5.2 or under section 5.3 to the manager on a conflict of interest matter that the manager refers to the independent review committee for review.

(2) The independent review committee must perform any other function required by securities legislation.

(3) The independent review committee has the authority to choose whether to deliberate and decide on a matter referred to in subsections (1) and (2) in the absence of the manager, any representative of the manager and any entity related to the manager.

(4) Despite subsection (3), an independent review committee must hold at least one meeting annually at which the manager, any representative of the manager or any entity related to the manager are not in attendance.

(5) The independent review committee has no power, authority or responsibility for the operation of the investment fund or the manager except as provided in this section.

Commentary

1 The Instrument requires the IRC only to consider matters referred to it by the manager that involve or may be perceived to involve a conflict of interest for the manager between its own interests and its duty to manage an investment fund.

Securities legislation also requires the IRC to consider other matters. For example, a change in a mutual fund's auditor and certain reorganizations and transfers of assets between related mutual funds under Part 5 of NI 81-102 require the review and prior approval of the IRC for the manager to proceed.

2 The manager and the IRC may agree that the IRC will perform functions in addition to those prescribed by this Instrument and elsewhere in securities legislation. This Instrument does not preclude those arrangements, nor does this Instrument regulate those arrangements.

3 Subsection (3) permits the IRC to decide who, other than IRC members, may attend any IRC meeting other than the meeting referred to in subsection (4). Subsection (3) also does not preclude the IRC from receiving oral or written submissions from the manager or from holding meetings with representatives of the manager or an entity related to the manager or any other person not independent under this Instrument. The CSA believe utilizing the manager's staff and industry experts may be important to help the members of the IRC understand matters that are beyond their specific expertise, or to help them understand different practices among investment funds.

4 The requirement that the IRC hold at least one meeting without anyone else present (including management of the investment fund) is intended to give the members of the IRC an opportunity to speak freely about any sensitive issues, including any concerns about the manager.

The CSA are of the view that subsection (4) is satisfied if the IRC holds a portion of any meeting annually without the presence of the manager, any representative of the manager or any entity related to the manager.

4.2 Regular assessments

(1) At least annually, the independent review committee must review and assess the adequacy and effectiveness of:

(a) the manager's written policies and procedures required under section 2.2;

(b) any standing instruction it has provided to the manager under section 5.4;

(c) the manager's and the investment fund's compliance with any conditions imposed by the independent review committee in a recommendation or approval it has provided to the manager; and

(d) any subcommittee to which the independent review committee has delegated, under clause 3.11(1)(d), any of its functions.

(2) At least annually, the independent review committee must review and assess:

(a) the independence of its members; and

(b) the compensation of its members.

(3) At least annually, the independent review committee must review and assess its effectiveness as a committee, as well as the effectiveness and contribution of each of its members.

(4) The review by the independent review committee required under subsection (3) must include a consideration of:

(a) the independent review committee's written charter referred to in section 3.6;

(b) the competencies and knowledge each member is expected to bring to the independent review committee;

(c) the level of complexity of the issues reasonably expected to be raised by members in connection with the matters under review by the independent review committee; and

(d) the ability of each member to contribute the necessary time required to serve effectively on the independent review committee.

Commentary

1 Section 4.2 sets out the minimum assessments the independent review committee must perform. Subject to these requirements, the IRC may establish a process for (and determine the frequency of) additional assessments as it sees fit.

2 The annual self-assessment by the IRC should improve performance by strengthening each member's understanding of his or her role and fostering better communication and greater cohesiveness among members.

3 When evaluating individual performance, it is expected that the IRC consider factors such as the member's attendance and participation in meetings, continuing education activities and industry knowledge. The manager may also provide IRC members with feedback which the IRC may consider.

It is expected the self-assessment should focus on both substantive and procedural aspects of the IRC's operations. When evaluating the IRC's structure and effectiveness, the IRC should consider factors such as the following:

- *the frequency of meetings;*
- *the substance of meeting agendas;*
- *the policies and procedures that the manager has established to refer matters to the IRC;*
- *the usefulness of the materials provided to the members of the IRC;*
- *the collective experience and background of the members of the IRC;*
- *the number of funds the IRC oversees; and*
- *the amount and form of compensation the members receive from an individual investment fund and in aggregate from the fund family.*

4 The CSA expect the members of an IRC to respond appropriately to address any weaknesses found in a self-assessment. For example, it may be necessary to improve the IRC members' continuing education, recommend ways to improve the quality and sufficiency of the information provided to them, or recommend to the manager decreasing the number of investment funds under the IRC's oversight.

In rare circumstances, the IRC may consider removing a member of the IRC as contemplated under clause 3.10(2)(c) as a result of the self-assessment.

4.3 Reporting to the manager

The independent review committee must as soon as practicable deliver to the manager a written report of the results of an assessment under subsections 4.2(1) and (2) that includes:

(a) a description of each instance of a breach of any of the manager's policies or procedures of which the independent review committee is aware, or that it has reason to believe has occurred;

(b) a description of each instance of a breach of a condition imposed by the independent review committee in a recommendation or approval it has provided to the manager, of which the independent review committee is aware, or that it has reason to believe has occurred; and

(c) recommendations for any changes the independent review committee considers should be made to the manager's policies and procedures.

4.4 Reporting to securityholders

(1) An independent review committee must prepare, for each financial year of the investment fund and no later than the date the investment fund files its annual financial statements, a report to securityholders of the investment fund that describes the independent review committee and its activities for the financial year and includes:

(a) the name of each member of the independent review committee at the date of the report, with:

(i) the member's length of service on the independent review committee;

(ii) the name of any other fund family on whose independent review committee the member serves; and

(iii) if applicable, a description of any relationship that may cause a reasonable person to question the member's independence and the basis upon which the independent review committee determined that the member is independent;

(b) the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in aggregate, by all the members of the independent review committee of the investment fund:

(i) in the investment fund if the aggregate level of ownership exceeds 10%;

(ii) in the manager; or

(iii) in any person or company that provides services to the investment fund or the manager;

(c) the identity of the Chair of the independent review committee;

(d) any changes in the composition or membership of the independent review committee during the period;

(e) the aggregate compensation paid to the independent review committee and any indemnities paid to members of the independent review committee by the investment fund during the period;

(f) a description of the process and criteria used by the independent review committee to determine the appropriate level of compensation of its members and any instance when, in setting the compensation and expenses of its members, the independent review committee did not follow the recommendation of the manager, including:

(i) a summary of the manager's recommendation; and

(ii) the independent review committee's reasons for not following the recommendation;

(g) if known, a description of each instance when the manager acted in a conflict of interest matter referred to the independent review committee for which the independent review committee did not give a positive recommendation, including:

(i) a summary of the recommendation; and

(ii) if known, the manager's reasons for proceeding without following the recommendation of the independent review committee and the result of proceeding;

(h) if known, a description of each instance when the manager acted in a conflict of interest matter but did not meet a condition imposed by the independent review committee in its recommendation or approval, including:

(i) the nature of the condition;

(ii) if known, the manager's reasons for not meeting the condition;

(iii) whether the independent review committee is of the view that the manager has taken, or proposes to take, appropriate action to deal with the matter; and

(iv) a brief summary of any recommendations and approvals the manager relied upon during the period.

(2) The report required under subsection (1) must, as soon as practicable:

(a) be sent by the investment fund, without charge, to a securityholder of the investment fund, upon the securityholder's request;

(b) be made available and prominently displayed by the manager on the investment fund's, investment fund family's or manager's website, if it has a website;

(c) be filed by the investment fund with the securities regulatory authority or regulator; and

(d) be delivered by the independent review committee to the manager.

Commentary

1 The report to be filed with the securities regulatory authorities should be filed on the SEDAR group profile number of the investment fund as a continuous disclosure document. The CSA expect that the investment fund will pay any reasonable costs associated with the filing of the report.

2 It is expected the report will be displayed in an easily visible location on the home page of the website of the investment fund, the investment fund family or the manager, as applicable. The CSA expect the report to remain on the website at least until the posting of the next report.

3 The disclosure required in subclause (1)(a)(iii) is expected to be provided only in instances where a member could reasonably be perceived to not be 'independent' under this Instrument.

4.5 Reporting to securities regulatory authorities

(1) If the independent review committee is aware of an instance where the manager acted in a conflict of interest matter under subsection 5.2(1) but did not comply with a condition or conditions imposed by securities legislation or the independent review committee in its approval, the independent review committee must, as soon as practicable, notify in writing the securities regulatory authority or regulator.

(2) The notification referred to in subsection (1) is satisfied if it is made to the investment fund's principal regulator.

Commentary

1 Subsection (1) captures a breach of a condition imposed for an otherwise prohibited or restricted transaction described in subsection 5.2(1), for which the manager has acted under Part 6 of this Instrument or under Part 4 of NI 81-102. This includes a breach of a condition imposed by the IRC as part of its approval (including a standing instruction), or, for example, any conditions imposed for inter-fund trading under section 6.1 of this Instrument or section 4.3 of NI 81-102, for transactions in securities of related issuers under section 6.2 of this Instrument, and for purchases of securities underwritten by related underwriters under section 4.1 of NI 81-102.

The CSA consider that a breach of a condition imposed by securities legislation (including this Instrument) or by the IRC in a transaction described in subsection 5.2(1) will result in the transaction having been made in contravention of securities legislation. In such instances, the securities regulatory authorities may consider taking various actions, including requiring the manager to unwind the transaction and pay any costs associated with doing so.

2 The CSA expect that the IRC will include in its notification the steps the manager proposes to take, or has taken, to remedy the breach, if known.

3 Notification under this section is not intended to be a mechanism to resolve disputes between an IRC and a manager, or to raise inconsequential matters with the securities regulatory authorities.

4 The CSA do not view this section or this Instrument as preventing the manager from communicating with the securities regulatory authorities with respect to any matter.

4.6 Independent review committee to maintain records

An independent review committee must maintain records, including:

(a) a copy of its current written charter;

(b) minutes of its meetings;

(c) copies of any materials and written reports provided to it;

(d) copies of materials and written reports prepared by it; and

(e) the decisions it makes.

Commentary

1 Section 4.6 sets out the minimum requirements regarding the record keeping by an IRC. The CSA expect IRCs to keep records in accordance with existing best practices.

2 The IRC is expected under clause (b) to keep minutes only of any material discussions it has at meetings with the manager or internally on matters subject to its review.

The CSA do not view this section or this Instrument as preventing the IRC and manager from sharing record keeping and maintaining joint records of IRC and manager meetings.

3 The CSA expect the IRC to keep records of any actions it takes in respect of a matter referred to it, in particular any transaction otherwise prohibited or restricted by securities legislation, as described in subsection 5.2(1), for which the manager has sought the approval of the IRC.

PART 5 CONFLICT OF INTEREST MATTERS

5.1 Manager to refer conflict of interest matters to independent review committee

(1) Subject to section 5.4, when a conflict of interest matter arises, and before taking any action in the matter, the manager must:

(a) determine what action it proposes to take in respect of the matter, having regard to:

(i) its duties under securities legislation; and

(ii) its written policies and procedures on the matter; and

(b) refer the matter, along with its proposed action, to the independent review committee for its review and decision.

(2) If a manager must hold a meeting of securityholders to obtain securityholder approval before taking an action in a conflict of interest matter, the manager must include a summary of the independent review committee's decision under subsection (1) in the notice of the meeting.

Commentary

1 Section 5.1 recognizes that a manager may not be able to objectively determine whether it is acting in the best interests of the investment fund when it has a conflict of interest. This section requires managers to refer all conflict of interest matters – not just those subject to prohibitions or restrictions under securities legislation - to the IRC so that an independent perspective can be brought to bear on the manager's proposed action.

A decision tree for different types of conflict of interest matters is set out in Appendix A to the Commentary.

While the CSA expect the IRC to bring a high degree of rigour and sceptical objectivity to its review of conflict of interest matters, the CSA do not consider it the role of the IRC to second-guess the investment or business decisions of a manager or an entity related to the manager.

2 Section 5.1 sets out how the manager must proceed when faced with a conflict of interest matter.

Referring proposed actions involving conflict of interest matters to the IRC for its review is not considered by the CSA to detract from the manager's obligations to the investment fund under securities legislation to make decisions in the best interests of the fund. Subclause (a)(i) is intended to reinforce this obligation.

3 In referring a matter to the IRC, a manager is expected to inform the IRC whether its proposed action follows its written policies and procedures on the matter under section 2.2.

If an unanticipated conflict of interest matter arises for which the manager does not have an existing written policy and procedure, the CSA expect the manager to bring the matter and its proposed action to the IRC for its review and input at the time the matter is referred to the IRC.

4 There may be matters that are subject to a securityholder vote that also involve a "conflict of interest matter" under this Instrument. For example, increases in the charges of the manager to the mutual fund will be a conflict of interest matter as well as a matter subject to a securityholder vote under Part 5 of National Instrument 81-102 Mutual Funds. For these matters, subsection (2) requires a manager to refer the matter first to the IRC before seeking the approval of securityholders, and to include a summary of the IRC's decision in the written notice to securityholders.

5.2 Matters requiring independent review committee approval

(1) A manager may not proceed with a proposed action under section 5.1 without the approval of the independent review committee if the action is:

(a) an inter-fund trade as described in subsection 6.1(2) of this Instrument or a transaction as described in subsection 4.2(1) of National Instrument 81-102 *Mutual Funds*;

(b) a transaction in securities of an issuer as described in subsection 6.2(1) of this Instrument; or

(c) an investment in a class of securities of an issuer underwritten by an entity related to the manager as described in subsection 4.1(1) of National Instrument 81-102 *Mutual Funds*.

(2) An independent review committee must not approve an action unless it has determined, after reasonable inquiry, that the action:

(a) is proposed by the manager free from any influence by an entity related to the manager and without taking into account any consideration relevant to an entity related to the manager;

(b) represents the business judgment of the manager uninfluenced by considerations other than the best interests of the investment fund;

(c) is in compliance with the manager's written policies and procedures relating to the action; and

(d) achieves a fair and reasonable result for the investment fund.

Commentary

1 For the transactions described in subsection (1), provided the manager receives the IRC's approval under this section, and satisfies the additional conditions imposed under the applicable sections of Part 6 of this Instrument or Part 4 of NI 81-102, the manager will be permitted to proceed with the action without obtaining regulatory exemptive relief.

The IRC may give its approval for certain actions or categories of actions in the form of a standing instruction as described in section 5.4. If no standing instruction is in effect, the manager is required to seek the IRC's approval prior to proceeding with any action set out in subsection (1). An IRC may consider as guidance any conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities when contemplating the appropriate terms and conditions in its approval.

2 If the IRC does not approve a proposed action described in subsection (1), the manager is not permitted to proceed without obtaining exemptive relief from the securities regulatory authorities. The CSA consider it in the best interests of the investment fund, and ultimately investors, for the IRC to be able to stop any proposed action which does not meet the test in subsection (2).

3 The CSA would usually expect that, before the IRC approves a proposed action described in subsection (1), it will have requested from the manager or others a report or certification to assist in its determination that the test in subsection (2) has been met.

4 The CSA expect that the manager will discuss with the IRC any instance where the IRC does not approve a proposed action, so that an alternative action satisfactory to both the manager and the IRC can be found, if possible.

5 The CSA consider that the ability of the manager to seek the removal of a member or members of the IRC under clause 3.10(2)(d) sufficiently addresses any concern that a manager may have about an IRC's ongoing refusal to approve matters.

5.3 Matters subject to independent review committee recommendation

(1) Before a manager may proceed with a proposed action under section 5.1 other than those set out in subsection 5.2(1):

(a) the independent review committee must provide a recommendation to the manager as to whether, in the committee's opinion after reasonable inquiry, the proposed action achieves a fair and reasonable result for the investment fund; and

(b) the manager must consider the recommendation of the independent review committee.

(2) If the manager decides to proceed with an action in a conflict of interest matter that, in the opinion of the independent review committee after reasonable inquiry, does not achieve a fair and reasonable result for the investment fund under clause (1)(a), the manager must notify in writing the independent review committee before proceeding with the proposed action.

(3) Upon receiving the notification described in subsection (2), the independent review committee may require the manager to notify securityholders of the investment fund of the manager's decision.

(4) A notification to securityholders under subsection (3) must:

(a) sufficiently describe the proposed action of the manager, the recommendation of the independent review committee and the manager's reasons for proceeding;

(b) state the date of the proposed implementation of the action; and

(c) be sent by the manager to each securityholder of the investment fund at least 30 days before the effective date of the proposed action.

(5) The investment fund must, as soon as practicable, file the notification referred to in subsection (4) with the securities regulatory authority or regulator upon the notice being sent to securityholders.

Commentary

1 This section captures all conflict of interest matters a manager encounters other than those listed in subsection 5.2(1). This includes conflict of interest matters prohibited or restricted by securities legislation not specified in subsection 5.2(1), and a manager's business and commercial decisions made on behalf of the investment fund that may be motivated, or be perceived to be motivated, by the manager's own interests rather than the best interests of the investment fund. Examples include:

- *increasing charges to the investment fund for costs incurred by the manager in operating the fund;*

- *correcting material errors made by the manager in administering the investment fund;*

- *negotiating soft dollar arrangements with dealers with whom the manager places portfolio transactions for the investment fund; and*

- *choosing to bring services in-house over using third-party service providers.*

The CSA expect that, in seeking guidance in identifying conflict of interest matters caught by this Instrument, among the factors the manager will look to for guidance to identify conflict of interest matters will be industry best practices. However, the CSA also acknowledge that each manager will need to consider the nature of its investment fund operations in determining a conflict of interest matter.

2 The CSA expect the IRC's recommendation to state a positive or negative response as to whether they view the proposed action as achieving a fair and reasonable result for the investment fund.

3 For a proposed action in a conflict of interest matter under this section that is prohibited or restricted by securities legislation (but not specified in subsection 5.2(1)), a manager will still need to seek exemptive relief from the securities regulatory authorities.

4 Subsection (2) recognizes that, in exceptional circumstances, the manager may decide to proceed with a proposed course of action despite a negative recommendation from the IRC. In such instances, subsection (2) requires the manager to notify the IRC before proceeding with the action. If the IRC determines that the proposed action is sufficiently important to warrant notice to securityholders in the investment fund, the IRC has the authority to require the manager to give such notification before proceeding with the action.

The CSA anticipate that the situation of a manager proceeding with a conflict of interest matter, despite a negative recommendation by the IRC, will occur infrequently.

5 The notification referred to in subsection (5) should be filed on the SEDAR group profile number of the investment fund as a continuous disclosure document.

5.4 Standing instructions by the independent review committee

(1) Despite section 5.1, the manager is not required to refer a conflict of interest matter nor its proposed action to the independent review committee if the manager complies with the terms of a standing instruction that is in effect.

(2) For any action for which the independent review committee has provided a standing instruction, at the time of the independent review committee's regular assessment described in subsection 4.2(1):

(a) the manager must provide a written report to the independent review committee describing each instance that it acted in reliance on a standing instruction; and

(b) the independent review committee must:

(i) review and assess the adequacy and effectiveness of the manager's written policies and procedures on the matter or on that type of matter with respect to all actions permitted by each standing instruction;

(ii) review and assess the manager's and investment fund's compliance with any conditions imposed by it in each standing instruction;

(iii) reaffirm or amend each standing instruction;

(iv) establish new standing instructions, if necessary; and

(v) advise the manager in writing of all changes to the standing instructions.

(3) A manager may continue to rely on a standing instruction under subsection (1) until such time as the independent review committee notifies the manager that the standing instruction has been amended or is no longer in effect.

Commentary

1 Section 5.4 recognizes that there are certain actions or categories of actions of the manager for which it may be appropriate for the IRC to choose to provide a standing instruction. For example, this may include a manager's ongoing voting of proxies on securities held by the investment fund when the manager has a business relationship with the issuer of the securities, or, a manager's decision to engage in inter-fund trading.

2 The CSA expect that, before providing or continuing a standing instruction to the manager for an action or category of actions, the IRC will have:

- *reviewed the manager's written policies and procedures with respect to the action or category of actions;*

- *requested from the manager or other persons a report or certification to assist in deciding whether to give its approval or recommendation for the action or category of actions under subsection 5.2(1) or 5.3(1), as the case may be;*

- *considered whether a standing instruction for the particular action or category of actions is appropriate for the investment fund; and*

- *established very clear terms and conditions surrounding the standing instruction for the action or category of actions.*

An IRC may consider including in any standing instruction any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

3 As part of the IRC's review under subclause (2)(b)(ii), the IRC is expected to be mindful of its reporting obligation under section 4.5 of this Instrument, which includes notifying the securities regulatory authorities of any instance where the manager, in proceeding with an action, did not meet a condition imposed by the IRC in its approval (this includes a standing instruction).

4 This section is intended to improve the flexibility and timeliness of the manager's decisions concerning a proposed course of action in a conflict of interest matter.

PART 6 EXEMPTED TRANSACTIONS

6.1 Inter-fund trades

(1) In this section:

(a) **"current market price of the security"** means:

(i) if the security is an exchange-traded security or a foreign exchange-traded security:

(A) the closing sale price on the day of the transaction as reported on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted;

(B) if there are no reported transactions for the day of the transaction, the average of the highest current bid and lowest current ask for the security as displayed on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted; or

(C) if the closing sale price on the day of the transaction is outside of the closing bid and closing ask, the average of the highest current bid and lowest current ask for the security as displayed on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted; or

(ii) for all other securities, the average of the highest current bid and lowest current ask determined on the basis of reasonable inquiry;

(b) **"market integrity requirements"** means:

(i) if the security is an exchange-traded security, the purchase or sale:

(A) is printed on a marketplace that executes trades of the security; and

(B) complies with the market conduct and display requirements of the marketplace, its regulation services provider and securities regulatory authorities;

(ii) if the security is a foreign exchange-traded security, the purchase or sale complies with the requirements that govern transparency and trading of foreign exchange-traded securities on the foreign exchange or foreign quotation and trade reporting system; or

(iii) for all other securities, the purchase or sale is through a dealer, if the purchase or sale is required to be reported by a registered dealer under applicable securities legislation.

(2) The portfolio manager of an investment fund may purchase a security of any issuer from, or sell a security of any issuer to, another investment fund managed by the same manager or an affiliate of the manager, if, at the time of the transaction:

(a) the investment fund is purchasing from, or selling to, another investment fund to which this Instrument applies;

(b) the independent review committee has approved the transaction under subsection 5.2(2);

(c) the bid and ask price of the security is readily available;

(d) the investment fund receives no consideration and the only cost for the trade is the nominal cost incurred by the investment fund to print or otherwise display the trade;

(e) the transaction is executed at the current market price of the security;

(f) the transaction is subject to market integrity requirements; and

(g) the investment fund keeps written records, including:

(i) a record of each purchase and sale of securities;

(ii) the parties to the trade; and

(iii) the terms of the purchase or sale;

for five years after the end of the fiscal year in which the trade occurred, the most recent two years in a reasonably accessible place.

(3) The provisions of National Instrument 21-101 *Marketplace Operation*, and Part 6 and Part 8 of National Instrument 23-101 *Trading Rules*, do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.

(4) The inter-fund self-dealing investment prohibitions do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.

(5) The dealer registration requirement does not apply to a portfolio manager of an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.

(6) In subsection (5), **"dealer registration requirement"** has the meaning ascribed to that term in National Instrument 14-101 *Definitions*.

Commentary

1 The term 'inter-fund self-dealing investment prohibitions' is defined in section 1.5 of this Instrument. It is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding inter-fund trades.

2 This section is intended to exempt investment funds from the prohibitions in the securities legislation and certain regulations that preclude inter-fund trades. It is not intended to apply to securities issued by an investment fund that are purchased by another fund within the same fund family.

The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2).

3 This section is also intended to provide a portfolio manager with a dealer registration exemption, where necessary, for inter-fund trades made in accordance with this section, but will not apply to any other activities of the portfolio manager. The exemption is based on compliance with this Instrument and the limitation of its application to prospectus-qualified investment funds. The CSA note that the Registration Reform project may re-examine this exemption.

4 This section sets out the minimum conditions for inter-fund trades to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

5 This section does not specify the policies and procedures that a manager must have to effect inter-fund trades. However, the CSA expect the manager's policies to include factors or criteria for:

- *allocating securities purchased for or sold by two or more investment funds managed by the manager; and*

- *ensuring that the terms of purchase or sale will be no less beneficial to the investment fund than those generally available to other market participants in arm's-length transactions.*

6 The CSA expect that the IRC may give its approval in the form of a standing instruction under section 5.4, to give the manager greater flexibility to take advantage of perceived market opportunity.

7 Clause (2)(c) requires that the market quotations for the transactions be transparent. The CSA expect that if the price information is publicly available from a marketplace, newspaper or through a data vendor, for example, this will be the price. If the price is not publicly available, the CSA expect the investment fund to obtain at least one quote from an independent, arm's-length purchaser or seller, immediately before the purchase or sale.

8 The CSA consider the requirement in clause (2)(f) to be a way to facilitate price discovery and integrity. The CSA believe this is essential to well-functioning and efficient capital markets. Subclause (1)(b)(iii) is intended to capture, for corporate debt securities, the requirement, if applicable, to report the trade to CanPx, and for illiquid securities, the requirement, if applicable, to report the trade to the Canadian Unlisted Board (CUB).

9 Clause (2)(g) sets out the minimum expectations regarding the records an investment fund must keep of its inter-fund trades made in reliance on this section. The records should be detailed, and sufficient to establish a proper audit trail of the transactions.

6.2 Transactions in securities of related issuers

(1) An investment fund may make or hold an investment in the security of an issuer related to it, its manager, or an entity related to the manager, if:

(a) at the time that the investment is made:

(i) the independent review committee has approved the investment under subsection 5.2(2); and

(ii) the purchase is made on an exchange on which the securities of the issuer are listed and traded; and

(b) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the securities regulatory authority or regulator the particulars of the investment.

(2) The mutual fund conflict of interest investment restrictions do not apply to a mutual fund with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.

(3) In subsection (2), **"mutual fund conflict of interest investment restrictions"** has the meaning ascribed to that term in National Instrument 81-102 *Mutual Funds*.

(4) **Repealed.** 2 Oct 2009 SR 81/2009 s15.

Commentary

1 This section is intended to relieve investment funds in Québec, and mutual funds elsewhere in Canada, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in securities of related issuers.

2 This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

3 This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in clause (1)(b) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4 If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to clause 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that clause 1.2(a) of the Instrument would require the manager to refer to the IRC.

PART 7 EXEMPTIONS

7.1 Exemptions

(1) The securities regulatory authority or regulator may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

7.2 Existing exemptions, waivers or approvals

Any exemption, waiver or approval under a provision of securities legislation that was effective before this Instrument came into force and that deals with the matters that this Instrument regulates, will expire one year after this Instrument comes into force.

Commentary

1 The CSA have, in a number of jurisdictions, granted exemptions and waivers from the conflict of interest and self-dealing provisions in securities legislation to permit the manager and/or the investment fund to make investments not otherwise permitted by securities legislation. Some of those exemptions and waivers contained sunset provisions that provided for the expiry of the exemption or waiver upon the coming into force of legislation or a CSA policy or rule that effectively provides for fund governance.

For greater certainty, the CSA note that the coming into force of section 7.2 of this Instrument will effectively cause <u>all</u> exemptions and waivers that deal with the matters regulated by this Instrument - not just those exemptions and waivers that deal with the matters under subsection 5.2(1) - to expire one year after its coming into force whether or not they contained a sunset provision.

PART 8 EFFECTIVE DATE

8.1 Effective date

This Instrument comes into force on November 1, 2006.

8.2 Transition

(1) Despite section 8.1, this Instrument does not apply to an investment fund until the earlier of:

(a) the date on which the manager provides to the securities regulatory authority or regulator the notification referred to in subsection (4); and

(b) the date one year after this Instrument comes into force.

(2) Despite subsection (1), six months from the date this Instrument comes into force the manager must appoint the first members of the independent review committee under section 3.2 in compliance with this Instrument.

(3) Despite section 4.4, the independent review committee's first report to securityholders must be completed by the 120th day after the end of the first financial year of the investment fund to which this Instrument applies.

(4) A manager of an investment fund must notify the securities regulatory authority or regulator in writing if it intends to comply with this Instrument prior to the expiration of the transition period under subsection (1).

(5) The notification referred to in subsection (4) is satisfied if the notification is made to the investment fund's principal regulator.

Commentary

1 Section 8.2 is intended to address transitional concerns.

The CSA expect that all investment funds will be compliant with this Instrument following the expiry of the transition period under subsection 8.2(1), twelve months after the Instrument is in force. For an investment fund established after the expiry of the transition period, it is expected that the investment fund will be compliant with this Instrument before any purchase order for securities of the investment fund is accepted.

2 Subsection 8.2(2) allows a manager an extra six months from the date this Instrument is in force to appoint the initial members of the IRC.

While a six-month transition period exists for the appointment of IRC members, the CSA strongly encourage a timely appointment of the IRC by the manager so that within the twelve month transitional period there is sufficient time for the IRC to adopt its charter, to review the manager's policies and procedures, and to review (subject to manager referral) any existing conflict of interest matters.

The transition period is also intended to give the manager sufficient time to refer existing and new conflict of interest matters to the IRC for its review and determination.

3 The CSA anticipate a manager or investment fund may wish to rely on the Instrument before the expiry of the transition period so that it may proceed with IRC approval for an otherwise prohibited or restricted transaction in securities legislation described in subsection 5.2(1). This may not occur unless there is complete compliance with the Instrument. Subsection (4) is intended to assist the CSA in knowing which managers of investment funds are proceeding in this manner before the expiry of the transition period.

4 For investment funds established before the expiry of the transition period, the CSA expect the manager to establish policies and procedures on any conflict of interest matters (if they do not already have them), and to refer to the IRC these policies and procedures and any decisions related to such matters prior to the end of the transition period.

5 The CSA do not consider a manager's organization of an investment fund (such as the initial setting of fees or the initial choice of service providers) to be subject to IRC review, unless the manager's decisions give rise to a conflict of interest concerning the manager's obligations to existing investment funds within the manager's fund family. However, the CSA expect the manager will establish policies and procedures for any conflict of interest matters arising from the investment fund's organization or otherwise, and refer to the IRC these policies and procedures and any decisions related to such matters.

It is anticipated that the manager will wish to engage the IRC early in the establishment of the investment fund to ensure the IRC is adequately informed of potential new conflicts of interest.

6 An investment fund, whether established before or after the date this Instrument comes into force, has a total transition period of up to twelve months from the date the Instrument comes into force to comply with the Instrument. Only if the manager of an investment fund intends to comply with the Instrument in its entirety before the expiry of the transition period is the notice in subsection (4) required.

7 It is expected that investment funds will incorporate any new disclosure obligations arising out of this Instrument as part of their annual prospectus renewal or continuous disclosure filing following the expiry of the transition period.

8 The CSA do not consider the expenses incurred by existing investment funds in establishing an IRC under this Instrument to be caught by section 5.1 of NI 81-102. We do not view section 5.1 as intending to capture the costs associated with compliance by an investment fund with new regulatory requirements.

APPENDIX A

CONFLICT OF INTEREST OR SELF-DEALING PROVISIONS

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Part 15 – Insider Trading and Self-Dealing of the *Securities Act* (Alberta)
British Columbia	Part 15 – Self-Dealing of the *Securities Act* (British Columbia)
Manitoba	Part XI – Insider Trading of the *Securities Act* (Manitoba)
Newfoundland and Labrador	Part XX – Insider Trading and Self-Dealing of the *Securities Act* (Newfoundland and Labrador)
New Brunswick	Part 10 – Insider Trading and Self-Dealing of the *Securities Act* (New Brunswick)
Northwest Territories	Part 11 - Insider Reporting and Early Warning of the *Securities Act* (Northwest Territories)
Nova Scotia	Sections 112 – 128 of the *Securities Act* (Nova Scotia)
Ontario	Part XXI – Insider Trading and Self-Dealing of the *Securities Act* (Ontario)
Quebec	Section 236 of the *Securities Regulation* (Québec)
Saskatchewan	Part XVII – Insider Trading and Self-Dealing – Mutual Funds of *The Securities Act, 1988* (Saskatchewan)
Alberta, British Columbia, Manitoba, Newfoundland and Labrador, New Brunswick, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon	Part 4 of National Instrument 81-102 *Mutual Funds* and section 13.5 of National Instrument 31-103 - Registration Requirements and Exemptions

APPENDIX B

INTER-FUND SELF-DEALING CONFLICT OF INTEREST PROVISIONS

JURISDICTION	LEGISLATION REFERENCE
Alberta	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
British Columbia	Section 127(1)(b) of the *Securities Act* (British Columbia)Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Manitoba	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
New Brunswick	Section 144(1)(b) of the *Securities Act* (New Brunswick)Section 11.7(6) of Local Rule 31-501 Registration RequirementsSection 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Newfoundland and Labrador	Section 119(2)(b) of the *Securities Act* (Newfoundland and Labrador)Section 103(6) of Reg. 805/9 Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Northwest Territories	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Nova Scotia	Section 126(2)(b) of the *Securities Act* (Nova Scotia)Section 32(6) of the General Securities RulesSection 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Nunavut	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Ontario	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Prince Edward Island	Section 38.1(6) of Securities Act Regulation Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Quebec	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Saskatchewan	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*
Yukon	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions*

10 Nov 2006 SR 104/2006 s9; 2 Oct 2009 SR 81/2009 s15.

PART XLVI
[*Clause 2(tt)*]

NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Instrument:

"clearing agency" means:

(a) in Ontario, a clearing agency recognized by the securities regulatory authority under section 21.2 of the *Securities Act* (Ontario);

(b) in Quebec, a clearing house for securities recognized by the securities regulatory authority; and

(c) in every other jurisdiction, an entity that is carrying on business as a clearing agency in the jurisdiction;

"custodian" means a person or company that holds securities for the benefit of another under a custodial agreement or other custodial arrangement;

"DAP/RAP trade" means a trade:

(a) executed for a client trading account that permits settlement on a delivery against payment or receipt against payment basis through the facilities of a clearing agency; and

(b) for which settlement is made on behalf of the client by a custodian other than the dealer that executed the trade;

"institutional investor" means a client of a dealer that has been granted DAP/RAP trading privileges by the dealer;

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"matching service utility" means a person or company that provides centralized facilities for matching, but does not include a clearing agency;

"North American region" means Canada, the United States, Mexico, Bermuda and the countries of Central America and the Caribbean;

"registered firm" means a person or company registered under securities legislation as a dealer or adviser;

"trade-matching agreement" means, for trades executed with or on behalf of an institutional investor, a written agreement entered into among trade-matching parties setting out the roles and responsibilities of the trade-matching parties in matching those trades and including, without limitation, a term by which the trade-matching parties agree to establish, maintain and enforce policies and procedures designed to achieve matching as soon as practical after a trade is executed;

"trade-matching party" means, for a trade executed with or on behalf of an institutional investor:

(a) a registered adviser acting for the institutional investor in processing the trade;

(b) if a registered adviser is not acting for the institutional investor in processing the trade, the institutional investor unless the institutional investor is:

(i) an individual; or

(ii) a person or company with total securities under administration or management not exceeding $10 million;

(c) a registered dealer executing or clearing the trade; or

(d) a custodian of the institutional investor settling the trade;

"trade-matching statement" means, for trades executed with or on behalf of an institutional investor, a signed written statement of a trade-matching party confirming that it has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after a trade is executed;

"T" means the day on which a trade is executed;

"T+1" means the next business day following T;

"T+2" means the second business day following T;

"T+3" means the third business day following the T.

1.2 Interpretation — trade matching and Eastern Time

(1) In this Instrument, matching is the process by which:

(a) the details and settlement instructions of an executed DAP/RAP trade are reported, verified, confirmed and affirmed or otherwise agreed to among the trade-matching parties; and

(b) unless the process is effected through the facilities of a clearing agency, the matched details and settlement instructions are reported to a clearing agency.

(2) Unless the context otherwise requires, a reference in this Instrument to:

(a) a time is to Eastern Time; and

(b) a day is to a twenty-four hour day from midnight to midnight Eastern Time.

PART 2 APPLICATION

2.1 This Instrument does not apply to:

(a) a trade in a security of an issuer that has not been previously issued or for which a prospectus is required to be sent or delivered to the purchaser under securities legislation;

(b) a trade in a security to the issuer of the security;

(c) a trade made in connection with a take-over bid, issuer bid, amalgamation, merger, reorganization, arrangement or similar transaction;

(d) a trade made in accordance with the terms of conversion, exchange or exercise of a security previously issued by an issuer;

(e) a trade that is a securities lending, repurchase, reverse repurchase or similar financing transaction;

(f) a trade in a security of a mutual fund to which National Instrument 81-102—*Mutual Funds* applies;

(g) a trade to be settled outside Canada;

(h) a trade in an option, futures contract or similar derivative; or

(i) a trade in a negotiable promissory note, commercial paper or similar short-term debt obligation that, in the normal course, would settle in Canada on T.

PART 3 TRADE-MATCHING REQUIREMENTS

3.1 Matching deadlines for registered dealer

(1) A registered dealer shall not execute a DAP/RAP trade with or on behalf of an institutional investor unless the dealer has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after such a trade is executed and in any event no later than 12 p.m. (noon) on T+1.

(2) Despite subsection (1), the dealer may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.

3.2 Pre-DAP/RAP trade execution documentation requirement for dealers

A registered dealer shall not open an account to execute a DAP/RAP trade for an institutional investor or accept an order to execute a DAP/RAP trade for the account of an institutional investor unless its policies and procedures are designed to encourage each trade-matching party to:

(a) enter into a trade-matching agreement with the dealer; or

(b) provide a trade-matching statement to the dealer.

3.3 Matching deadlines for registered adviser

(1) A registered adviser shall not give an order to a dealer to execute a DAP/RAP trade on behalf of an institutional investor unless the adviser has established, maintains and enforces policies and procedures designed to achieve matching as soon as practical after such a trade is executed and in any event no later than 12 p.m. (noon) on T+1.

(2) Despite subsection (1), the adviser may adapt its policies and procedures to permit matching to occur no later than 12 p.m. (noon) on T+2 for a DAP/RAP trade that results from an order to buy or sell securities received from an institutional investor whose investment decisions or settlement instructions are usually made in and communicated from a geographical region outside of the North American region.

3.4 Pre- DAP/RAP trade execution documentation requirement for advisers

A registered adviser shall not open an account to execute a DAP/RAP trade for an institutional investor or give an order to a dealer to execute a DAP/RAP trade for the account of an institutional investor unless its policies and procedures are designed to encourage each trade-matching party to:

(a) enter into a trade-matching agreement with the adviser; or

(b) provide a trade-matching statement to the adviser.

PART 4 REPORTING BY REGISTERED FIRMS

4.1 Exception reporting requirement

A registered firm shall deliver Form 24-101F1 to the securities regulatory authority no later than 45 days after the end of a calendar quarter if:

(a) less than 90 per cent of the DAP/RAP trades executed by or for the registered firm during the quarter matched within the time required in Part 3; or

(b) the DAP/RAP trades executed by or for the registered firm during the quarter that matched within the time required in Part 3 represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.

PART 5 REPORTING REQUIREMENTS FOR CLEARING AGENCIES

5.1 A clearing agency through which trades governed by this Instrument are cleared and settled shall deliver Form 24-101F2 to the securities regulatory authority no later than 30 days after the end of a calendar quarter.

PART 6 REQUIREMENTS FOR MATCHING SERVICE UTILITIES

6.1 Initial information reporting

(1) A person or company shall not carry on business as a matching service utility unless:

(a) the person or company has delivered Form 24-101F3 to the securities regulatory authority; and

(b) at least 90 days have passed since the person or company delivered Form 24-101F3.

(2) During the 90-day period referred to in subsection (1), if there is a significant change to the information in the delivered Form 24-101F3, the person or company shall inform the securities regulatory authority in writing immediately of that significant change by delivering an amendment to Form 24-101F3 in the manner set out in Form 24-101F3.

6.2 Anticipated change to operations

At least 45 days before implementing a significant change to any item set out in Form 24-101F3, a matching service utility shall deliver an amendment to the information in the manner set out in Form 24-101F3.

6.3 Ceasing to carry on business as a matching service utility

(1) If a matching service utility intends to cease carrying on business as a matching service utility, it shall deliver a report on Form 24-101F4 to the securities regulatory authority at least 30 days before ceasing to carry on that business.

(2) If a matching service utility involuntarily ceases to carry on business as a matching service utility, it shall deliver a report on Form 24-101F4 as soon as practical after it ceases to carry on that business.

6.4 Ongoing information reporting and record keeping

(1) A matching service utility shall deliver Form 24-101F5 to the securities regulatory authority no later than 30 days after the end of a calendar quarter.

(2) A matching service utility shall keep such books, records and other documents as are reasonably necessary to properly record its business.

6.5 System requirements

For all of its core systems supporting trade matching, a matching service utility shall:

(a) consistent with prudent business practice, on a reasonably frequent basis, and, in any event, at least annually:

(i) make reasonable current and future capacity estimates;

(ii) conduct capacity stress tests of those systems to determine the ability of the systems to process transactions in an accurate, timely and efficient manner;

(iii) implement reasonable procedures to review and keep current the testing methodology of those systems;

(iv) review the vulnerability of those systems and data centre computer operations to internal and external threats, including breaches of security, physical hazards and natural disasters; and

(v) maintain adequate contingency and business continuity plans;

(b) annually cause to be performed an independent review and written report, in accordance with generally accepted auditing standards, of the stated internal control objectives of those systems; and

(c) promptly notify the securities regulatory authority of a material failure of those systems.

PART 7 TRADE SETTLEMENT

7.1 Trade settlement by registered dealer

(1) A registered dealer shall not execute a trade unless the dealer has established, maintains and enforces policies and procedures designed to facilitate settlement of the trade on a date that is no later than the standard settlement date for the type of security traded prescribed by an SRO or the marketplace on which the trade would be executed.

(2) Subsection (1) does not apply to a trade for which terms of settlement have been expressly agreed to by the counterparties to the trade at or before the trade was executed.

PART 8 REQUIREMENTS OF SELF-REGULATORY ORGANIZATIONS AND OTHERS

8.1 A clearing agency or matching service utility shall have rules or other instruments or procedures that are consistent with the requirements of Parts 3 and 7.

8.2 A requirement of this Instrument does not apply to a member of an SRO if the member complies with a rule or other instrument of the SRO that deals with the same subject matter as the requirement and that has been approved, non-disapproved, or non-objected to by the securities regulatory authority and published by the SRO.

PART 9 EXEMPTION

9.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 10 EFFECTIVE DATES AND TRANSITION

10.1 Effective dates

(1) Except as provided in subsections (2) and (3), this Instrument comes into force on April 1, 2007.

(2) The following come into force on October 1, 2007:

(a) section 3.2;

(b) section 3.4;

(c) Part 4;

(d) Part 6.

(3) Despite paragraph (2)(d), Part 6 comes into force in Ontario on the later of:

(a) October 1, 2007, and

(b) the day on which Rule 24-501 — *Designation as Market Participant* comes into force.

10.2 Transition

(1) A reference to "the end of T" in subsections 3.1(1) and 3.3(1) shall each be read as a reference to "12:00 p.m. (noon) on T+1" for trades executed before July 1, 2008.

(2) A reference to "the end of T+1" in subsections 3.1(2) and 3.3(2) shall each be read as a reference to "12:00 p.m. (noon) on T+2" for trades executed before July 1, 2008.

(3) A reference to "95 percent" in sections 4.1(a) and (b) shall each be read as a reference to:

(a) "80 percent", for trades executed after September 30, 2007, but before January 1, 2008;

(b) "90 percent", for trades executed after December 31, 2007, but before July 1, 2008;

(c) "70 percent", for trades executed after June 30, 2008, but before January 1, 2009;

(d) "80 percent", for trades executed after December 31, 2008, but before July 1, 2009; and

(e) "90 percent", for trades executed after June 30, 2009, but before January 1, 2010.

(4) A person or company need not comply with section 6.1 if that person or company:

(a) is already carrying on business as a matching service utility on the date that Part 6 comes into force; and

(b) delivers Form 24-101F3 to the securities regulatory authority within 45 days after Part 6 comes into force.

SECURITIES COMMISSION
(ADOPTION OF NATIONAL INSTRUMENTS) **S-42.2 REG 3**

FORM 24-101F1

**REGISTERED FIRM EXCEPTION REPORT OF
DAP/RAP TRADE REPORTING AND MATCHING**

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

REGISTERED FIRM IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of registered firm (if sole proprietor, last, first and middle name):

2. Name(s) under which business is conducted, if different from item 1:

3a. Address of registered firm's principal place of business:

3b. Indicate below the jurisdiction of your principal regulator within the meaning of National Instrument 31-103 *Registration Requirements and Exemptions*:

☐ Alberta
☐ British Columbia
☐ Manitoba
☐ New Brunswick
☐ Newfoundland & Labrador
☐ Northwest Territories
☐ Nova Scotia
☐ Nunavut
☐ Ontario
☐ Prince Edward Island
☐ Québec
☐ Saskatchewan
☐ Yukon

3c. Indicate below all jurisdictions in which you are registered:

☐ Alberta
☐ British Columbia
☐ Manitoba
☐ New Brunswick
☐ Newfoundland & Labrador
☐ Northwest Territories
☐ Nova Scotia
☐ Nunavut
☐ Ontario
☐ Prince Edward Island
☐ Québec
☐ Saskatchewan
☐ Yukon

4. Mailing address, if different from business address:

5. Type of business: ☐ Dealer ☐ Adviser

6. Category of registration:

7. (a) Registered firm NRD number:

(b) If the registered firm is a participant of a clearing agency, the registered firm's
CUID number:

8. Contact employee name:

Telephone number:

E-mail address:

INSTRUCTIONS:

Deliver this form for both equity and debt DAP/RAP trades together with Exhibits A, B and C pursuant to section 4.1 of the Instrument, covering the calendar quarter indicated above, within 45 days of the end of the calendar quarter if:

(a) less than 90 per cent of the equity and/or debt DAP/RAP trades executed by or for you during the quarter matched within the time required in Part 3 of the Instrument; or

(b) the equity and/or debt DAP/RAP trades executed by or for you during the quarter that matched within the time required in Part 3 of the Instrument represent less than 90 per cent of the aggregate value of the securities purchased and sold in those trades.

EXHIBITS:

Exhibit A – DAP/RAP trade statistics for the quarter

Complete Tables 1 and 2 below for each calendar quarter.

(1) Equity DAP/RAP trades

Entered into CDS by deadline (to be completed by dealers only)				*Matched by deadline*			
# of Trades	**%**	**$ Value of Trades**	**%**	**# of Trades**	**%**	**$ Value of Trades**	**%**

(2) Debt DAP/RAP trades

Entered into CDS by deadline (to be completed by dealers only)				*Matched by deadline*			
# of Trades	**%**	**$ Value of Trades**	**%**	**# of Trades**	**%**	**$ Value of Trades**	**%**

Exhibit B – Reasons for not meeting exception reporting thresholds

Describe the circumstances or underlying causes that resulted in or contributed to the failure to achieve the percentage target for matched equity and/or debt DAP/RAP trades within the maximum time prescribed by Part 3 of the Instrument. Reasons given could be one or more matters within your control or due to another trade-matching party or service provider. If you have insufficient information to determine the percentages, the reason for this should be provided. See also Companion Policy 24-101CP to the Instrument.

Exhibit C – Steps to address delays

Describe what specific steps you are taking to resolve delays in the equity and/or debt DAP/RAP trade reporting and matching process in the future. Indicate when each of these steps is expected to be implemented. The steps being taken could be internally focused, such as implementing a new system or procedure, or externally focused, such as meeting with a trade-matching party to determine what action should be taken by that party. If you have insufficient information to determine the percentages, the steps being taken to obtain this information should be provided. See also Companion Policy 24-101CP to the Instrument.

CERTIFICATE OF REGISTERED FIRM

The undersigned certifies that the information given in this report on behalf of the registered firm is true and correct.

DATED at_____ this_____ day of _____, 20 ___

_____

(Name of registrant – type or print)

FORM 24-101F2

CLEARING AGENCY
QUARTERLY OPERATIONS REPORT OF
INSTITUTIONAL TRADE REPORTING AND MATCHING

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of clearing agency:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of clearing agency's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 5.1 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

Exhibits shall be provided in an electronic file, in the following file format: 'CSV' (Comma Separated Variable) (e.g., the format produced by Microsoft Excel).

EXHIBITS:

1. DATA REPORTING

Exhibit A – Aggregate matched trade statistics

For client trades, provide the information to complete Tables 1 and 2 below for each month in the quarter. These two tables can be integrated into one report. Provide separate aggregate information for trades that have been reported or entered into your facilities as matched trades by a matching service utility.

Month/Year: _____ (MMM/YYYY)

Table 1 – Equity trades:

	Entered into clearing agency by dealers				Matched in clearing agency by custodians			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 – noon								
T+1								
T+2								
T+3								
>T+3								
Total								

Table 2 – Debt trades:

	Entered into clearing agency by dealers				Matched in clearing agency by custodians			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 – noon								
T+1								
T+2								
T+3								
>T+3								
Total								

Legend

"# of Trades" is the total number of transactions in the month;

"$ Value of Trades" is the total value of the transactions (purchases and sales) in the month.

Exhibit B – Individual matched trade statistics

Using the same format as Exhibit A above, provide the relevant information for each participant of the clearing agency in respect of client trades during the quarter that have been entered by the participant and matched within the timelines indicated in Exhibit A.

	Percentage matched within timelines			
	Equity trades		Debt trades	
Participant	By # of transactions	By Value	By # of transactions	By Value

CERTIFICATE OF CLEARING AGENCY

The undersigned certifies that the information given in this report on behalf of the clearing agency is true and correct.

DATED at_____ this_____ day of_____, 20

_____
(Name of clearing agency - type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

FORM 24-101F3

MATCHING SERVICE UTILITY
NOTICE OF OPERATIONS

DATE OF COMMENCEMENT INFORMATION:

Effective date of commencement of operations: _____ (DD/MMM/YYYY)

TYPE OF INFORMATION: ○ INITIAL SUBMISSION
○ AMENDMENT

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:

   Telephone number:

   E-mail address:
6. Legal counsel:

   Firm name:

   Telephone number:

   E-mail address:

GENERAL INFORMATION:

7. Website address:
8. Date of financial year-end: _____ (DD/MMM/YYYY)
9. Indicate the form of your legal status (e.g., corporation, limited or general partnership), the date of formation, and the jurisdiction under which you were formed:

   Legal status: ○ CORPORATION ○ PARTNERSHIP
   ○ OTHER (SPECIFY):

   (a) Date of formation: _____ (DD/MMM/YYYY)

   (b) Jurisdiction and manner of formation:

10. Specify the general types of securities for which information is being or will be received and processed by you for transmission of matched trades to a clearing agency (e.g. exchange-traded domestic equity and debt securities, exchange-traded foreign equity and debt securities, equity and debt securities traded over-the-counter).

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.1 or 10.2(4) of the Instrument.

For each exhibit, include your name, the date of delivery of the exhibit and the date as of which the information is accurate (if different from the date of the delivery). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable shall be furnished in lieu of the exhibit. To the extent information requested for an exhibit is identical to the information requested in another form that you have filed or delivered under National Instrument 21-101 Marketplace Operation, simply attach a copy of that other form and indicate in this form where such information can be found in that other form.

If you are delivering an amendment to Form 24-101F3 pursuant to section 6.1(2) or 6.2 of the Instrument, and the amended information relates to an exhibit that was delivered with such form, provide a description of the change and complete and deliver an updated exhibit. If you are delivering Form 24-101F3 pursuant to section 10.2(4) of the Instrument, simply indicate at the top of this form under 'Date of Commencement Information' that you were already carrying on business as a matching service utility in the relevant jurisdiction on the date that Part 6 of the Instrument came into force.

EXHIBITS:

1. CORPORATE GOVERNANCE

Exhibit A - Constating documents

Provide a copy of your constating documents, including corporate by-laws and other similar documents, as amended from time to time.

Exhibit B – Ownership

List any person or company that owns 10 percent or more of your voting securities or that, either directly or indirectly, through agreement or otherwise, may control your management. Provide the full name and address of each person or company and attach a copy of the agreement or, if there is no written agreement, briefly describe the agreement or basis through which the person or company exercises or may exercise control or direction.

Exhibit C – Officials

Provide a list of the partners, officers, directors or persons performing similar functions who presently hold or have held their offices or positions during the current and previous calendar year, indicating the following for each:

1. Name.
2. Title.
3. Dates of commencement and expiry of present term of office or position and length of time the office or position held.
4. Type of business in which each is primarily engaged and current employer.

5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.
6. Whether the person is considered to be an independent director.

Exhibit D - Organizational structure

Provide a narrative or graphic description of your organizational structure.

Exhibit E - Affiliated entities

For each person or company affiliated to you, provide the following information:

1. Name and address of affiliated entity.
2. Form of organization (e.g., association, corporation, partnership)
3. Name of jurisdiction and statute under which organized.
4. Date of incorporation in present form.
5. Brief description of nature and extent of affiliation or contractual or other agreement with you.
6. Brief description of business services or functions.
7. If a person or company has ceased to be affiliated with you during the previous year or ceased to have a contractual or other agreement relating to your operations during the previous year, provide a brief statement of the reasons for termination of the relationship.

2. FINANCIAL VIABILITY

Exhibit F - Audited financial statements

Provide your audited financial statements for the latest financial year and a report prepared by an independent auditor.

3. FEES

Exhibit G – Fee list, fee structure

Provide a complete list of all fees and other charges imposed, or to be imposed, by you for use of your services as a matching service utility, including the cost of establishing a connection to your systems.

4. ACCESS

Exhibit H – Users

Provide a list of all users or subscribers for which you provide or propose to provide the services of a matching service utility. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, adviser or other party).

If applicable, for each instance during the past year in which any user or subscriber of your services has been prohibited or limited in respect of access to such services, indicate the name of each such user or subscriber and the reason for the prohibition or limitation.

Exhibit I - User contract

Provide a copy of each form of agreement governing the terms by which users or subscribers may subscribe to your services of a matching service utility.

5. SYSTEMS AND OPERATIONS

Exhibit J - System description

Describe the manner of operation of your systems for performing your services of a matching service utility (including, without limitation, systems that collect and process trade execution details and settlement instructions for matching of trades). This description should include the following:

1. The hours of operation of the systems, including communication with a clearing agency.
2. Locations of operations and systems (e.g., countries and cities where computers are operated, primary and backup).
3. A brief description in narrative form of each service or function performed by you.

6. SYSTEMS COMPLIANCE

Exhibit K - Security

Provide a brief description of the processes and procedures implemented by you to provide for the security of any system used to perform your services of a matching service utility.

Exhibit L - Capacity planning and measurement

1. Provide a brief description of capacity planning/performance measurement techniques and system and stress testing methodologies.
2. Provide a brief description of testing methodologies with users or subscribers. For example, when are user/subscriber tests employed? How extensive are these tests?

Exhibit M - Business continuity

Provide a brief description of your contingency and business continuity plans in the event of a catastrophe.

Exhibit N – Material systems failures

Provide a brief description of policies and procedures in place for reporting to regulators material systems failures. Material systems failures include serious incidents that result in the interruption of the matching of trades for more than thirty minutes during normal business hours.

Exhibit O - Independent systems audit

1. Briefly describe your plans to provide an annual independent audit of your systems.
2. If applicable, provide a copy of the last external systems operations audit report.

7. INTEROPERABILITY

Exhibit P – Interoperability agreements

List all other matching service utilities for which you have entered into an *interoperability* agreement. Provide a copy of all such agreements.

8. OUTSOURCING

Exhibit Q - Outsourcing firms

For each person or company (outsourcing firm) with whom or which you have an outsourcing agreement or arrangement relating to your services of a matching service utility, provide the following information:

1. Name and address of the outsourcing firm.
2. Brief description of business services or functions of the outsourcing firm.
3. Brief description of the outsourcing firm's contingency and business continuity plans in the event of a catastrophe.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at_____ this_____ day of_____, 20

_____
(Name of matching service utility - type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

FORM 24-101F4

MATCHING SERVICE UTILITY
NOTICE OF CESSATION OF OPERATIONS

DATE OF CESSATION INFORMATION:

Type of information: ○ VOLUNTARY CESSATION

○ INVOLUNTARY CESSATION

Effective date of operations cessation: _____ (DD/MMM/YYYY)

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Legal counsel:

   Firm name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.3 of the Instrument.

For each exhibit, include your name, the date of delivery of the exhibit and the date as of which the information is accurate (if different from the date of the delivery). If any exhibit required is not applicable, a full statement describing why the exhibit is not applicable shall be furnished in lieu of the exhibit.

EXHIBITS:

Exhibit A

Provide the reasons for your cessation of business.

Exhibit B

Provide a list of all the users or subscribers for which you provided services during the last 30 days prior to you ceasing business. Identify the type(s) of business of each user or subscriber (e.g., custodian, dealer, adviser, or other party).

Exhibit C

List all other matching service utilities for which an *interoperability* agreement was in force immediately prior to cessation of business.

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at_____ this_____ day of_____, 20 ___

_____
(Name of matching service utility - type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

FORM 24-101F5

**MATCHING SERVICE UTILITY
QUARTERLY OPERATIONS REPORT OF
INSTITUTIONAL TRADE REPORTING AND MATCHING**

CALENDAR QUARTER PERIOD COVERED:

From: _____ to: _____

MATCHING SERVICE UTILITY IDENTIFICATION AND CONTACT INFORMATION:

1. Full name of matching service utility:
2. Name(s) under which business is conducted, if different from item 1:
3. Address of matching service utility's principal place of business:
4. Mailing address, if different from business address:
5. Contact employee name:

   Telephone number:

   E-mail address:

INSTRUCTIONS:

Deliver this form together with all exhibits pursuant to section 6.4 of the Instrument, covering the calendar quarter indicated above, within 30 days of the end of the calendar quarter.

Exhibits shall be reported in an electronic file, in the following format: 'CSV' (Comma Separated Variable) (e.g., the format produced by Microsoft Excel).

If any information specified is not available, a full statement describing why the information is not available shall be separately furnished.

EXHIBITS

1. SYSTEMS REPORTING

Exhibit A – External systems audit

If an external audit report on your core systems was prepared during the quarter, provide a copy of the report.

Exhibit B – Material systems failures reporting

Provide a brief summary of all material systems failures that occurred during the quarter and for which you were required to notify the securities regulatory authority under section 6.5(c) of the Instrument.

2. DATA REPORTING

Exhibit C – Aggregate matched trade statistics

Provide the information to complete Tables 1 and 2 below for each month in the quarter. These two tables can be integrated into one report.

Month/Year: _____ (MMM/YYYY)

Table 1 – Equity trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 – noon								
T+1								
T+2								
T+3								
>T+3								
Total								

Table 2 – Debt trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	$ Value of Trades	% Industry	# of Trades	% Industry	$ Value of Trades	% Industry
T								
T+1 – noon								
T+1								
T+2								
T+3								
>T+3								
Total								

Legend

"# of Trades" is the total number of transactions in the month;

"$ Value of Trades" is the total value of the transactions (purchases and sales) in the month.

Exhibit D – Individual matched trade statistics

Using the same format as Exhibit C above, provide the relevant information for each user or subscriber in respect of trades during the quarter that have been entered by the user or subscriber and matched within the timelines indicated in Exhibit C.

	Percentage matched within timelines			
	Equity trades		Debt trades	
User/Subscriber	By # of transactions	By Value	By # of transactions	By Value

CERTIFICATE OF MATCHING SERVICE UTILITY

The undersigned certifies that the information given in this report on behalf of the matching service utility is true and correct.

DATED at_____ this_____ day of_____, 20 ___

_____
(Name of matching service utility- type or print)

_____
(Name of director, officer or partner - type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity - type or print)

23 Mar 2007 SR 11/2007 s4; 7 May 2010 SR 43/2010 s5; 25 Jne 2010 SR 63/2010 s2.

PART XLVII
[*Clause 2(uu)*]

MULTILATERAL INSTRUMENT 62-104
TAKE-OVER BIDS AND ISSUER BIDS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Instrument:

"Act" means, in the jurisdiction, the statute referred to in Appendix B to National Instrument 14-101 *Definitions*;

"associate", when used to indicate a relationship with a person, means:

(a) an issuer of which the person beneficially owns or controls, directly or indirectly, voting securities entitling the person to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the person;

(c) any trust or estate in which the person has a substantial beneficial interest or in respect of which a person serves as trustee or in a similar capacity;

(d) a relative of that person, including:

(i) the spouse or, in Alberta, adult interdependent partner of that person; or

(ii) a relative of the person's spouse or, in Alberta, adult interdependent partner;

if the relative has the same home as that person;

"bid circular" means a bid circular prepared in accordance with section 2.10;

"business day" means a day other than a Saturday, a Sunday or a day that is a statutory holiday in the jurisdiction;

"class of securities" includes a series of a class of securities;

"consultant" has the same meaning as in National Instrument 45-106 *Prospectus and Registration Exemptions*;

"equity security" means a security of an issuer that carries a residual right to participate in the earnings of the issuer and, on liquidation or winding up of the issuer, in its assets;

"issuer bid" means an offer to acquire or redeem securities of an issuer made by the issuer to one or more persons, any of whom is in the local jurisdiction or whose last address as shown on the books of the offeree issuer is in the local jurisdiction, and also includes an acquisition or redemption of securities of the issuer by the issuer from those persons, but does not include an offer to acquire or redeem, or an acquisition or redemption if:

(a) no valuable consideration is offered or paid by the issuer for the securities;

(b) the offer to acquire or redeem, or the acquisition or redemption is a step in an amalgamation, merger, reorganization or arrangement that requires approval in a vote of security holders; or

(c) the securities are debt securities that are not convertible into securities other than debt securities;

"offer to acquire" means:

(a) an offer to purchase, or a solicitation of an offer to sell, securities;

(b) an acceptance of an offer to sell securities, whether or not the offer has been solicited; or

(c) any combination of the above;

"offeree issuer" means an issuer whose securities are the subject of a take-over bid, an issuer bid or an offer to acquire;

"offeror" means, except in Division 1 of Part 2 of this Instrument, a person that makes a take-over bid, an issuer bid or an offer to acquire;

"offeror's securities" means securities of an offeree issuer beneficially owned, or over which control or direction is exercised, on the date of an offer to acquire, by an offeror or any person acting jointly or in concert with the offeror;

"person" includes:

(a) an individual;

(b) a corporation;

(c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and

(d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

"published market" means, with respect to any class of securities, a market in Canada or outside of Canada on which the securities are traded, if the prices at which they have been traded on that market are regularly:

(a) disseminated electronically; or

(b) published in a newspaper or business or financial publication of general and regular paid circulation;

"standard trading unit" means:

(a) 1,000 units of a security with a market price of less than $0.10 per unit;

(b) 500 units of a security with a market price of $0.10 or more per unit and less than $1.00 per unit; and

(c) 100 units of a security with a market price of $1.00 or more per unit;

"subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

"take-over bid" means an offer to acquire outstanding voting securities or equity securities of a class made to one or more persons, any of whom is in the local jurisdiction or whose last address as shown on the books of the offeree issuer is in the local jurisdiction, where the securities subject to the offer to acquire, together with the offeror's securities, constitute in the aggregate 20% or more of the outstanding securities of that class of securities at the date of the offer to acquire but does not include an offer to acquire if the offer to acquire is a step in an amalgamation, merger, reorganization or arrangement that requires approval in a vote of security holders.

1.2 Definitions for purposes of the Act

(1) Except in Saskatchewan, in the Act:

(a) **"offer to acquire"** has the same meaning as in this Instrument; and

(b) **"offeror"** has the same meaning as in section 1.1 of this Instrument.

(2) In the definition of **"issuer bid"** in the Act, the prescribed class of issuer bids is that set out in the definition of **"issuer bid"** in this Instrument.

(3) In the definition of **"take-over bid"** in the Act, the prescribed class of take-over bids is that set out in the definition of **"take-over bid"** in this Instrument.

1.3 Affiliate

In this Instrument, an issuer is an affiliate of another issuer if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person.

1.4 Control

In this Instrument, a person controls a second person if:

(a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless the first person holds the voting securities only to secure an obligation;

(b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or

(c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

1.5 Computation of time

In this Instrument, a period of days is to be computed as beginning on the day following the event that began the period and ending at 11:59 p.m. on the last day of the period if that day is a business day or at 11:59 p.m. on the next business day if the last day of the period does not fall on a business day.

1.6 Expiry of bid

A take-over bid or an issuer bid expires at the later of:

(a) the end of the period, including any extension, during which securities may be deposited under the bid; and

(b) the time at which the offeror becomes obligated by the terms of the bid to take up or reject securities deposited under the bid.

1.7 Convertible securities

In this Instrument:

(a) a security is deemed to be convertible into a security of another class if, whether or not on conditions, it is or may be convertible into or exchangeable for, or if it carries the right or obligation to acquire, a security of the other class, whether of the same or another issuer; and

(b) a security that is convertible into a security of another class is deemed to be convertible into a security or securities of each class into which the second-mentioned security may be converted, either directly or through securities of one or more other classes of securities that are themselves convertible.

1.8 Deemed beneficial ownership

(1) In this Instrument, in determining the beneficial ownership of securities of an offeror or of any person acting jointly or in concert with the offeror, at any given date, the offeror or the person is deemed to have acquired and to be the beneficial owner of a security, including an unissued security, if the offeror or the person:

(a) is the beneficial owner of a security convertible into the security within 60 days following that date; or

(b) has a right or obligation permitting or requiring the offeror or the person, whether or not on conditions, to acquire beneficial ownership of the security within 60 days by a single transaction or a series of linked transactions.

(2) The number of outstanding securities of a class in respect of an offer to acquire includes securities that are beneficially owned as determined in accordance with subsection (1).

(3) If 2 or more offerors acting jointly or in concert make one or more offers to acquire securities of a class, the securities subject to the offer or offers to acquire are deemed to be securities subject to the offer to acquire of each offeror for the purpose of determining whether an offeror is making a take-over bid.

(4) In this section, an offeror is not a beneficial owner of securities solely because there is an agreement, commitment or understanding that a security holder will tender the securities under a take-over bid or an issuer bid, made by the offeror, that is not exempt from Part 2.

(5) In Québec, for the purposes of this Instrument, a person that beneficially owns securities means a person that owns the securities or that holds securities registered under the name of an intermediary acting as nominee, including a trustee or agent.

1.9 Acting jointly or in concert

(1) In this Instrument, it is a question of fact as to whether a person is acting jointly or in concert with an offeror and, without limiting the generality of the foregoing:

(a) the following are deemed to be acting jointly or in concert with an offeror:

(i) a person that, as a result of any agreement, commitment or understanding with the offeror or with any other person acting jointly or in concert with the offeror, acquires or offers to acquire securities of the same class as those subject to the offer to acquire;

(ii) an affiliate of the offeror;

(b) the following are presumed to be acting jointly or in concert with an offeror:

(i) a person that, as a result of any agreement, commitment or understanding with the offeror or with any other person acting jointly or in concert with the offeror, intends to exercise jointly or in concert with the offeror or with any person acting jointly or in concert with the offeror any voting rights attaching to any securities of the offeree issuer;

(ii) an associate of the offeror.

(2) Subsection (1) does not apply to a registered dealer acting solely in an agency capacity for the offeror in connection with a bid and not executing principal transactions in the class of securities subject to the offer to acquire or performing services beyond the customary functions of a registered dealer.

(3) For the purposes of this section, a person is not acting jointly or in concert with an offeror solely because there is an agreement, commitment or understanding that the person will tender securities under a take-over bid or an issuer bid, made by the offeror, that is not exempt from Part 2.

1.10 Application to direct and indirect offers

In this Instrument, a reference to an offer to acquire or to the acquisition or ownership of securities or to control or direction over securities includes a direct or indirect offer to acquire or the direct or indirect acquisition or ownership of securities, or the direct or indirect control or direction over securities, as the case may be.

1.11 Determination of market price

(1) In this Instrument:

(a) the market price of a class of securities for which there is a published market, at any date, is an amount equal to the simple average of the closing price of securities of that class for each of the business days on which there was a closing price in the 20 business days preceding that date;

(b) if a published market does not provide a closing price, but provides only the highest and lowest prices of securities traded on a particular day, the market price of the securities, at any date, is an amount equal to the average of the simple averages of the highest and lowest prices for each of the business days on which there were highest and lowest prices in the 20 business days preceding that date; and

(c) if there has been trading of securities in a published market for fewer than 10 of the 20 business days preceding the date as of which the market price of the securities is being determined, the market price is the average of the following prices established for each day of the 20 business days preceding that date:

(i) the average of the closing bid and ask prices for each day on which there was no trading; and

(ii) either the closing price of securities of the class for each day that there has been trading, if the published market provides a closing price, or the average of the highest and lowest prices of securities of that class for each day that there has been trading, if the published market provides only the highest and lowest prices of securities traded on a particular day.

(2) If there is more than one published market for a security, the market price in paragraphs (1)(a), (b) and (c) must be determined as follows:

(a) if only one of the published markets is in Canada, the market price must be determined solely by reference to that market;

(b) if there is more than one published market in Canada, the market price must be determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 business days preceding the date as of which the market price is being determined;

(c) if there is no published market in Canada, the market price must be determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 business days preceding the date as of which the market price is being determined.

(3) Despite subsections (1) and (2) for the purposes of section 4.1, if an offeror acquires securities on a published market, the market price for those securities is the price of the last standard trading unit of securities of that class purchased, before the acquisition by the offeror, by a person who was not acting jointly or in concert with the offeror.

PART 2 BIDS

Division 1 Restrictions on Acquisitions or Sales

2.1 Definition of "offeror"

In this Division, **"offeror"** means:

(a) a person making a take-over bid or an issuer bid that is not exempt from Part 2;

(b) a person acting jointly or in concert with a person referred to in paragraph (a);

(c) a control person of a person referred to in paragraph (a); or

(d) a person acting jointly or in concert with a control person referred to in paragraph (c).

2.2 Restrictions on acquisitions during take-over bid

(1) An offeror must not offer to acquire, or make or enter into an agreement, commitment or understanding to acquire beneficial ownership of any securities of the class that are subject to a take-over bid or securities convertible into securities of that class otherwise than under the bid on and from the day of the announcement of the offeror's intention to make the bid until the expiry of the bid.

(2) Subsection (1) does not apply to an agreement between a security holder and the offeror to the effect that the security holder will, in accordance with the terms and conditions of a take-over bid that is not exempt from Part 2, deposit the security holder's securities under the bid.

(3) Despite subsection (1), an offeror may purchase securities of the class that are subject to a take-over bid and securities convertible into securities of that class beginning on the 3rd business day following the date of the bid until the expiry of the bid if all of the following conditions are satisfied:

(a) the intention of the offeror:

(i) on the date of the bid, is to make purchases and that intention is stated in the bid circular; or

(ii) to make purchases changes after the date of the bid and that intention is stated in a news release issued and filed at least one business day prior to making such purchases;

(b) the number of securities beneficially acquired under this subsection does not exceed 5% of the outstanding securities of that class as at the date of the bid;

(c) the purchases are made in the normal course on a published market;

(d) the offeror issues and files a news release immediately after the close of business of the published market on each day on which securities have been purchased under this subsection disclosing the following information:

(i) the name of the purchaser;

(ii) if the purchaser is a person referred to in paragraph 2.1(b), (c) or (d), the relationship of the purchaser and the offeror;

(iii) the number of securities purchased on the day for which the news release is required;

(iv) the highest price paid for the securities on the day for which the news release is required;

(v) the aggregate number of securities purchased on the published market during the currency of the bid;

(vi) the average price paid for the securities that were purchased on the published market during the currency of the bid; and

(vii) the total number of securities owned by the purchaser after giving effect to the purchases that are the subject of the news release;

(e) no broker acting for the offeror performs services beyond the customary broker's functions in regard to the purchases;

(f) no broker acting for the offeror receives more than the usual fees or commissions in regard to the purchases than are charged for comparable services performed by the broker in the normal course;

(g) the offeror or any person acting for the offeror does not solicit or arrange for the solicitation of offers to sell securities of the class subject to the bid, except for the solicitation by the offeror or members of the soliciting dealer group under the bid;

(h) the seller or any person acting for the seller does not, to the knowledge of the offeror, solicit or arrange for the solicitation of offers to buy securities of the class subject to the bid.

(4) For the purposes of paragraph 2.2(3)(b), the acquisition of beneficial ownership of securities that are convertible into securities of the class that is subject to the bid shall be deemed to be an acquisition of the securities as converted.

2.3 Restrictions on acquisitions during issuer bid

(1) An offeror must not offer to acquire, or make or enter into an agreement, commitment or understanding to acquire, beneficial ownership of any securities of the class that are subject to an issuer bid, or securities that are convertible into securities of that class, otherwise than under the bid on and from the day of the announcement of the offeror's intention to make the bid until the expiry of the bid.

(2) Subsection (1) does not prevent the offeror from purchasing, redeeming or otherwise acquiring any securities of the class subject to the bid in reliance on an exemption under paragraph 4.6(a), (b) or (c).

2.4 Restrictions on acquisitions before take-over bid

(1) If, within the period of 90 days immediately preceding a take-over bid, an offeror acquired beneficial ownership of securities of the class subject to the bid in a transaction not generally available on identical terms to holders of that class of securities:

(a) the offeror must offer:

(i) consideration for securities deposited under the bid at least equal to and in the same form as the highest consideration that was paid on a per security basis under any such prior transaction; or

(ii) at least the cash equivalent of that consideration; and

(b) the offeror must offer to acquire under the bid that percentage of the securities of the class subject to the bid that is at least equal to the highest percentage that the number of securities acquired from a seller in any such prior transaction was of the total number of securities of that class beneficially owned by that seller at the time of that prior transaction.

(2) Subsection (1) does not apply to a transaction that occurred within 90 days preceding the bid if either of the following conditions are satisfied:

(a) the transaction is a trade in a security of the issuer that had not been previously issued;

(b) the transaction is a trade by or on behalf of the issuer in a previously issued security of that issuer that had been redeemed or purchased by, or donated to, that issuer.

2.5 Restrictions on acquisitions after bid

During the period beginning with the expiry of a take-over bid or an issuer bid and ending at the end of the 20th business day after that, whether or not any securities are taken up under the bid, an offeror must not acquire or offer to acquire beneficial ownership of securities of the class that was subject to the bid except by way of a transaction that is generally available to holders of that class of securities on identical terms.

2.6 Exception

Subsection 2.4(1) and section 2.5 do not apply to purchases made by an offeror in the normal course on a published market if all of the following conditions are satisfied:

(a) no broker acting for the offeror performs services beyond the customary broker's functions in regard to the purchases;

(b) no broker acting for the offeror receives more than the usual fees or commissions in regard to the purchases than are charged for comparable services performed by the broker in the normal course;

(c) the offeror or any person acting for the offeror does not solicit or arrange for the solicitation of offers to sell securities of the class subject to the bid, except for the solicitation by the offeror or members of the soliciting dealer group under the bid;

(d) the seller or any person acting for the seller does not, to the knowledge of the offeror, solicit or arrange for the solicitation of offers to buy securities of the class subject to the bid.

2.7 Restrictions on sales during bid

(1) An offeror, except under a take-over bid or an issuer bid, must not sell, or make or enter into an agreement, commitment or understanding to sell, any securities of the class subject to the bid, or securities that are convertible into securities of that class, beginning on the day of the announcement of the offeror's intention to make the bid until the expiry of the bid.

(2) Despite subsection (1), an offeror may, before the expiry of a bid, make or enter into an agreement, commitment or understanding to sell securities that may be taken up by the offeror under the bid, after the expiry of the bid, if the intention to sell is disclosed in the bid circular.

(3) Subsection (1) does not apply to an offeror under an issuer bid in respect of the issue of securities under a dividend plan, dividend reinvestment plan, employee purchase plan or another similar plan.

Division 2 Making a Bid

2.8 Duty to make bid to all security holders

An offeror must make a take-over bid or an issuer bid to all holders of the class of securities subject to the bid who are in the local jurisdiction by sending the bid to:

(a) each holder of that class of securities whose last address as shown on the books of the offeree issuer is in the local jurisdiction; and

(b) each holder of securities that, before the expiry of the deposit period referred to in the bid, are convertible into securities of that class, whose last address as shown on the books of the offeree issuer is in the local jurisdiction.

2.9 Commencement of bid

(1) An offeror must commence a take-over bid by:

(a) publishing an advertisement containing a brief summary of the take-over bid in at least one major daily newspaper of general and regular paid circulation in the local jurisdiction in English, and in Québec in French or in French and English; or

(b) sending the bid to security holders described in section 2.8.

(2) An offeror must commence an issuer bid by sending the bid to security holders described in section 2.8.

2.10 Offeror's circular

(1) An offeror making a take-over bid or an issuer bid must prepare and send, either as part of the bid or together with the bid, a take-over bid circular or an issuer bid circular, as the case may be, in the following form:

(a) Form 62-104F1 Take-Over Bid Circular, for a take-over bid; or

(b) Form 62-104F2 Issuer Bid Circular, for an issuer bid.

(2) An offeror commencing a take-over bid under paragraph 2.9(1)(a) must:

(a) on or before the date of first publication of the advertisement:

(i) deliver the bid and the bid circular to the offeree issuer's principal office;

(ii) file the bid, the bid circular and the advertisement;

(iii) request from the offeree issuer a list of security holders described in section 2.8; and

(b) not later than 2 business days after receipt of the list of security holders referred to in subparagraph (a)(iii), send the bid and the bid circular to those security holders.

(3) An offeror commencing a take-over bid under paragraph 2.9(1)(b) must file the bid and the bid circular and deliver them to the offeree issuer's principal office on the day the bid is sent, or as soon as practicable after that.

(4) An offeror making an issuer bid must file the bid and the bid circular on the day the bid is sent, or as soon as practicable after that.

2.11 Change in information

(1) If, before the expiry of a take-over bid or an issuer bid or after the expiry of a bid but before the expiry of all rights to withdraw the securities deposited under the bid, a change has occurred in the information contained in the bid circular or any notice of change or notice of variation that would reasonably be expected to affect the decision of the security holders of the offeree issuer to accept or reject the bid, the offeror must promptly:

(a) issue and file a news release; and

(b) send a notice of the change to every person to whom the bid was required to be sent and whose securities were not taken up before the date of the change.

(2) Subsection (1) does not apply to a change that is not within the control of the offeror or of an affiliate of the offeror unless it is a change in a material fact relating to the securities being offered in exchange for securities of the offeree issuer.

(3) In this section, a variation in the terms of a bid does not constitute a change in information.

(4) A notice of change must be in the form of Form 62-104F5 Notice of Change or Notice of Variation.

2.12 Variation of terms

(1) If there is a variation in the terms of a take-over bid or an issuer bid, including any extension of the period during which securities may be deposited under the bid, and whether or not that variation results from the exercise of any right contained in the bid, the offeror must promptly:

(a) issue and file a news release; and

(b) send a notice of variation to every person to whom the bid was required to be sent under section 2.8 and whose securities were not taken up before the date of the variation.

(2) A notice of variation must be in the form of Form 62-104F5 Notice of Change or Notice of Variation.

(3) If there is a variation in the terms of a take-over bid or an issuer bid, the period during which securities may be deposited under the bid must not expire before 10 days after the date of the notice of variation.

(4) Subsections (1) and (3) do not apply to a variation in the terms of a bid consisting solely of the waiver of a condition in the bid and any extension of the bid resulting from the waiver where the consideration offered for the securities consists solely of cash, but in that case the offeror must promptly issue and file a news release announcing the waiver.

(5) A variation in the terms of a take-over bid or an issuer bid, other than a variation that is the waiver by the offeror of a condition that is specifically stated in the bid as being waivable at the sole option of the offeror, must not be made after the expiry of the period, including any extension of the period, during which the securities may be deposited under the bid.

2.13 Filing and sending notice of change or notice of variation

A notice of change or notice of variation in respect of a take-over bid or an issuer bid must be filed and, in the case of a take-over bid, delivered to the offeree issuer's principal office, on the day the notice of change or notice of variation is sent to security holders of the offeree issuer, or as soon as practicable after that.

2.14 Change or variation in advertised take-over bid

(1) If a change or variation occurs to a take-over bid that was commenced by means of an advertisement, and if the offeror has complied with paragraph 2.10(2)(a) but has not yet sent the bid and the bid circular under paragraph 2.10(2)(b), the offeror must:

(a) publish an advertisement that contains a brief summary of the change or variation in at least one major daily newspaper of general and regular paid circulation in the local jurisdiction in English, and in Québec in French or in French and English;

(b) concurrently with the date of first publication of the advertisement:

(i) file the advertisement; and

(ii) file and deliver a notice of change or notice of variation to the offeree issuer's principal office; and

(c) subsequently send the bid, the bid circular and the notice of change or notice of variation to the security holders of the offeree issuer before the expiration of the period set out in paragraph 2.10(2)(b).

(2) If an offeror satisfies the requirements of subsection (1), the notice of change or notice of variation is not required to be filed and delivered under section 2.13.

2.15 Consent of expert – bid circular

(1) In this section and section 2.21, an expert includes a notary in Québec, solicitor, auditor, accountant, engineer, geologist or appraiser or any other person whose profession or business gives authority to a report, valuation, statement or opinion made by that person.

(2) If a report, valuation, statement or opinion of an expert is included in or accompanies a bid circular or any notice of change or notice of variation to the circular, the written consent of the expert to the use of the report, valuation, statement or opinion must be filed concurrently with the bid circular, notice of change or notice of variation.

2.16 Delivery and date of bid documents

(1) A take-over bid, an issuer bid, a bid circular and every notice of change or notice of variation must be:

(a) mailed by pre-paid mail to the intended recipient; or

(b) delivered to the intended recipient by personal delivery, courier or other manner acceptable to the regulator or securities regulatory authority.

(2) Except for a take-over bid commenced by means of an advertisement in accordance with paragraph 2.9(1)(a), a bid, bid circular, notice of change or notice of variation sent in accordance with this section is deemed to be dated as of the date it was sent to all or substantially all of the persons entitled to receive it.

(3) If a take-over bid is commenced by means of an advertisement in accordance with paragraph 2.9(1)(a), a bid, bid circular, notice of change or notice of variation is deemed to have been dated as of the date of first publication of the relevant advertisement.

Division 3 Offeree Issuer's Obligations

2.17 Duty to prepare and send directors' circular

(1) If a take-over bid has been made, the board of directors of the offeree issuer must prepare and send, not later than 15 days after the date of the bid, a directors' circular to every person to whom the bid was required to be sent under section 2.8.

(2) The board of directors of the offeree issuer must evaluate the terms of the take-over bid and, in the directors' circular:

(a) must recommend to security holders that they accept or reject the bid and state the reasons for the recommendation;

(b) must advise security holders that the board is unable to make, or is not making, a recommendation and state the reasons for being unable to make a recommendation or for not making a recommendation; or

(c) must advise security holders that the board is considering whether to make a recommendation to accept or reject the bid, must state the reasons for not making a recommendation in the directors' circular and may advise security holders that they should not deposit their securities under the bid until they receive further communication from the board of directors in accordance with paragraph (a) or (b).

(3) If paragraph (2)(c) applies, the board of directors must communicate to security holders a recommendation to accept or reject the bid or the decision that it is unable to make, or is not making, a recommendation, together with the reasons for the recommendation or decision, at least 7 days before the scheduled expiry of the period during which securities may be deposited under the bid.

(4) A directors' circular must be in the form of Form 62-104F3 Directors' Circular.

2.18 Notice of change

(1) If, before the expiry of a take-over bid or after the expiry of a take-over bid but before the expiry of all rights to withdraw the securities deposited under the bid, a change has occurred in the information contained in a directors' circular or in any notice of change to the directors' circular that would reasonably be expected to affect the decision of the security holders to accept or reject the bid, the board of directors of the offeree issuer must promptly issue and file a news release relating to the change and send a notice of the change to every person to whom the take-over bid was required to be sent disclosing the nature and substance of the change.

(2) A notice of change must be in the form of Form 62-104F5 Notice of Change or Notice of Variation.

2.19 Filing directors' circular or notice of change

The board of directors of the offeree issuer must concurrently file the directors' circular or a notice of change in relation to it and deliver it to the principal office of the offeror not later than the date on which it is sent to the security holders of the offeree issuer, or as soon as practicable after that date.

2.20 Individual director's or officer's circular

(1) An individual director or officer may recommend acceptance or rejection of a take-over bid if the director or officer sends with the recommendation a separate director's or officer's circular to every person to whom the take-over bid was required to be sent under section 2.8.

(2) If, before the expiry of a take-over bid or after the expiry of a take-over bid but before the expiry of all rights to withdraw the securities deposited under the bid, a change has occurred in the information contained in a director's or officer's circular or any notice of change in relation to it that would reasonably be expected to affect the decision of the security holders to accept or reject the bid, other than a change that is not within the control of the director or officer, as the case may be, that director or officer must promptly send a notice of change to every person to whom the take-over bid was required to be sent under section 2.8.

(3) A director's or officer's circular must be in the form of Form 62-104F4 Director's or Officer's Circular.

(4) A director's or officer's obligation to send a circular under subsection (1) or to send a notice of change under subsection (2) may be satisfied by sending the circular or the notice of change, as the case may be, to the board of directors of the offeree issuer.

(5) If a director or officer sends to the board of directors of the offeree issuer a circular under subsection (1) or a notice of change under subsection (2), the board, at the offeree issuer's expense, must promptly send a copy of the circular or notice to every person to whom the take-over bid was required to be sent under section 2.8.

(6) The board of directors of the offeree issuer or the individual director or officer, as the case may be, must concurrently file the director's or officer's circular or a notice of change in relation to it and send it to the principal office of the offeror not later than the date on which it is sent to the security holders of the offeree issuer, or as soon as practicable after that.

(7) A notice of change in relation to a director's or officer's circular must be in the form of Form 62-104F5 Notice of Change or Notice of Variation.

2.21 Consent of expert - directors' circular/individual director's or officer's circular

If a report, valuation, statement or opinion of an expert is included in or accompanies a directors' circular, an individual director's or officer's circular or any notice of change to either circular, the written consent of the expert to the use of the report, valuation, statement or opinion must be filed concurrently with the circular or notice.

2.22 Delivery and date of offeree issuer's documents

(1) A directors' circular, an individual director's or officer's circular and every notice of change must be:

(a) mailed by pre-paid mail to the intended recipient; or

(b) delivered to the intended recipient by personal delivery, courier or other manner acceptable to the regulator or securities regulatory authority.

(2) Any circular or notice sent in accordance with this section is deemed to be dated as of the date it was sent to all or substantially all of the persons entitled to receive it.

Division 4 Offeror's Obligations

2.23 Consideration

(1) If a take-over bid or an issuer bid is made, all holders of the same class of securities must be offered identical consideration.

(2) Subsection (1) does not prohibit an offeror from offering an identical choice of consideration to all holders of the same class of securities.

(3) If a variation in the terms of a take-over bid or an issuer bid before the expiry of the bid increases the value of the consideration offered for the securities subject to the bid, the offeror must pay that increased consideration to each person whose securities are taken up under the bid, whether or not the securities were taken up by the offeror before the variation of the bid.

2.24 Prohibition against collateral agreements

If a person makes or intends to make a take-over bid or an issuer bid, the person or any person acting jointly or in concert with that person must not enter into any collateral agreement, commitment or understanding that has the effect, directly or indirectly, of providing a security holder of the offeree issuer with consideration of greater value than that offered to the other security holders of the same class of securities.

2.25 Collateral agreements exception

(1) Section 2.24 does not apply to an employment compensation arrangement, severance arrangement or other employment benefit arrangement that provides:

(a) an enhancement of employee benefits resulting from participation by the security holder of the offeree issuer in a group plan, other than an incentive plan, for employees of a successor to the business of the offeree issuer, if the benefits provided by the group plan are generally provided to employees of the successor to the business of the offeree issuer who hold positions of a similar nature to the position held by the security holder; or

(b) a benefit not described in paragraph (a) that is received solely in connection with the security holder's services as an employee, director or consultant of the offeree issuer, of an affiliated entity of the offeree issuer, or of a successor to the business of the offeree issuer, if:

(i) at the time the bid is publicly announced, the security holder and its associates beneficially own or exercise control or direction over less than 1% of the outstanding securities of each class of securities of the offeree issuer subject to the bid; or

(ii) an independent committee of directors of the offeree issuer, acting in good faith, has determined that:

(A) the value of the benefit, net of any offsetting costs to the security holder, is less than 5% of the amount referred to in paragraph 3(a); or

(B) the security holder is providing at least equivalent value in exchange for the benefit.

(2) In order to rely on an exception under paragraph (1)(b) the following conditions must be satisfied:

(a) the benefit is not conferred for the purpose, in whole or in part, of increasing the amount of the consideration paid to the security holder for securities deposited under the bid or providing an incentive to deposit under the bid;

(b) the conferring of the benefit is not, by its terms, conditional on the security holder supporting the bid in any manner; and

(c) full particulars of the benefit are disclosed in the issuer bid circular or, in the case of a take-over bid, in the take-over bid circular or directors' circular.

(3) In order to rely on an exception under subparagraph 1(b)(ii) the following conditions must be satisfied:

(a) the security holder receiving the benefit has disclosed to the independent committee the amount of consideration that the security holder expects it will be beneficially entitled to receive under the terms of the bid in exchange for the securities beneficially owned by the security holder; and

(b) the determination of the independent committee under subparagraph 1(b)(ii) is disclosed in the issuer bid circular or, in the case of a take-over bid, in the take-over bid circular or directors' circular.

(4) In this section, in determining the beneficial ownership of securities of a holder at a given date, any security or right or obligation permitting or requiring the security holder or any person acting jointly or in concert with the security holder, whether or not on conditions, to acquire a security, including an unissued security, of a particular class within 60 days by a single transaction or a series of linked transactions is deemed to be a security of a particular class.

2.26 Proportionate take up and payment

(1) If a take-over bid or an issuer bid is made for less than all of the class of securities subject to the bid and a greater number of securities is deposited under the bid than the offeror is bound or willing to acquire under the bid, the offeror must take up and pay for the securities proportionately, disregarding fractions, according to the number of securities deposited by each security holder.

(2) Subsection (1) does not prohibit an offeror from acquiring securities under the terms of an issuer bid that, if not acquired, would constitute less than a standard trading unit for the security holder.

(3) Subsection (1) does not apply to securities deposited under the terms of an issuer bid by security holders who:

(a) are entitled to elect a minimum price per security, within a range of prices, at which they are willing to sell their securities under the bid; and

(b) elect a minimum price which is higher than the price that the offeror pays for securities under the bid.

(4) For the purposes of subsection (1), any securities acquired in a pre-bid transaction to which subsection 2.4(1) applies are deemed to have been deposited under the take-over bid by the person who was the seller in the pre-bid transaction.

2.27 Financing arrangements

(1) If a take-over bid or an issuer bid provides that the consideration for the securities deposited under the bid is to be paid in cash or partly in cash, the offeror must make adequate arrangements before the bid to ensure that the required funds are available to make full payment for the securities that the offeror has offered to acquire.

(2) The financing arrangements required to be made under subsection (1) may be subject to conditions if, at the time the take-over bid or the issuer bid is commenced, the offeror reasonably believes the possibility to be remote that, if the conditions of the bid are satisfied or waived, the offeror will be unable to pay for the securities deposited under the bid due to a financing condition not being satisfied.

Division 5 Bid Mechanics

2.28 Minimum deposit period

An offeror must allow securities to be deposited under a take-over bid or an issuer bid for at least 35 days from the date of the bid.

2.29 Prohibition on take up

An offeror must not take up securities deposited under a take-over bid or an issuer bid until the expiration of 35 days from the date of the bid.

2.30 Withdrawal of securities

(1) A security holder may withdraw securities deposited under a take-over bid or an issuer bid:

(a) at any time before the securities have been taken up by the offeror;

(b) at any time before the expiration of 10 days from the date of a notice of change under section 2.11 or a notice of variation under section 2.12; or

(c) if the securities have not been paid for by the offeror within 3 business days after the securities have been taken up.

(2) The right of withdrawal under paragraph (1)(b) does not apply if:

(a) the securities have been taken up by the offeror before the date of the notice of change or notice of variation; or

(b) one or both of the following circumstances occur:

(i) a variation in the terms of the bid consisting solely of an increase in consideration offered for the securities and an extension of the time for deposit to not later than 10 days after the date of the notice of variation;

(ii) a variation in the terms of the bid consisting solely of the waiver of one or more of the conditions of the bid where the consideration offered for the securities subject to the take-over bid or the issuer bid consists solely of cash.

(3) The withdrawal of any securities under subsection (1) is made by sending a written notice to the depository designated in the bid circular and becomes effective on its receipt by the depository.

(4) If notice is given in accordance with subsection (3), the offeror must promptly return the securities to the security holder.

2.31 Effect of market purchases

If an offeror purchases securities as permitted by subsection 2.2(3), those purchased securities must be counted in determining whether a condition as to the minimum number of securities to be deposited under a take-over bid has been fulfilled, but must not reduce the number of securities the offeror is bound to take up under the bid.

2.32 Obligation to take up and pay for deposited securities

(1) If all the terms and conditions of a take-over bid or an issuer bid have been complied with or waived, the offeror must take up and pay for securities deposited under the bid not later than 10 days after the expiry of the bid or at the time required by subsection (2) or (3), whichever is earliest.

(2) An offeror must pay for any securities taken up under a take-over bid or an issuer bid as soon as possible, and in any event not later than 3 business days after the securities deposited under the bid are taken up.

(3) Securities deposited under a take-over bid or an issuer bid subsequent to the date on which the offeror first takes up securities deposited under the bid must be taken up and paid for by the offeror not later than 10 days after the deposit of the securities.

(4) An offeror may not extend its take-over bid or issuer bid if all the terms and conditions of the bid have been complied with or waived, unless the offeror first takes up all securities deposited under the bid and not withdrawn.

(5) Despite subsections (3) and (4), if a take-over bid or an issuer bid is made for less than all of the class of securities subject to the bid, an offeror is only required to take up, by the times specified in those subsections, the maximum number of securities that the offeror can take up without contravening section 2.23 or section 2.26 at the expiry of the bid.

(6) Despite subsection (4), if the offeror waives any terms or conditions of a take-over bid or an issuer bid and extends the bid in circumstances where the rights of withdrawal conferred by paragraph 2.30(1)(b) are applicable, the bid must be extended without the offeror first taking up the securities which are subject to the rights of withdrawal.

2.33 Return of deposited securities

If, following the expiry of a take-over bid or an issuer bid, an offeror knows that it will not take up securities deposited under the bid, the offeror must promptly issue and file a news release to that effect and return the securities to the security holders.

2.34 News release on expiry of bid

If all the terms and conditions of a take-over bid or an issuer bid have been complied with or waived, the offeror must issue and file a news release to that effect promptly after the expiry of the bid, and the news release must disclose:

(a) the approximate number of securities deposited; and

(b) the approximate number that will be taken up.

PART 3 GENERAL

3.1 Language of bid documents

(1) A person must file a document required under this Instrument in French or English.

(2) In Québec, a take-over bid circular, issuer bid circular, directors' circular, director's or officer's circular, notice of change or notice of variation required under Part 2 must be in French or in French and English.

(3) Subsection (1) does not apply to an exempt take-over bid made under section 4.4, or an exempt issuer bid made under section 4.10.

(4) Despite subsection (1), if a person files a document only in French or English, but delivers to a security holder a version of the document in the other language, the person must file that other version not later than when it is first delivered to the security holder.

3.2 Filing of documents

(1) An offeror making a take-over bid under Part 2 must file copies of the following documents, and any amendments to those documents:

(a) any agreement between the offeror and a security holder of the offeree issuer relating to the take-over bid, including any agreement to the effect that the security holder will deposit its securities to the take-over bid made by the offeror;

(b) any agreement between the offeror and directors or officers of an offeree issuer relating to the take-over bid;

(c) any agreement between the offeror and an offeree issuer relating to the take-over bid;

(d) any other agreement of which the offeror is aware that could affect control of the offeree issuer, including any agreement with change of control provisions, any security holder agreement or any voting trust agreement, that the offeror has access to and can reasonably be regarded as material to a security holder in deciding whether to deposit securities under the bid.

(2) An offeree issuer whose securities are the subject of a take-over bid under Part 2 must file copies of any agreement of which the offeree issuer is aware that could affect control of the offeree issuer, including an agreement with change of control provisions, a security holder agreement or a voting trust agreement, that the offeree issuer has access to and can reasonably be regarded as material to a security holder in deciding whether to deposit securities under the bid.

(3) The documents required to be filed:

(a) under subsection (1) must be filed on the day the take-over bid circular is filed under section 2.10; and

(b) under subsection (2) must be filed on the day that the directors' circular is filed under section 2.19.

(4) If an agreement required to be filed under subsection (1) or (2) is entered into after a take-over bid circular referred to in subsection (1) or the directors' circular referred to in subsection (2) is filed, the agreement must be filed promptly but not later than 2 business days from the date that the agreement was entered into.

(5) If a document required to be filed under subsection (1) or (2) has already been filed in electronic format under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR), the requirement to file the document may be satisfied by filing a letter describing the document and stating the filing date and project number.

(6) A document dated before March 30, 2004 that is required to be filed under subsection (1) or (2) may be filed in paper format if it does not exist in an acceptable electronic format under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR).

(7) A provision in a document required to be filed under subsection (1) or (2) may be omitted or marked so as to be unreadable if:

(a) the filer has reasonable grounds to believe that disclosure of the provision would be seriously prejudicial to the interests of the filer or would violate confidentiality provisions;

(b) the provision does not contain information relating to the filer or its securities that would be necessary to understand the document; and

(c) in the copy of the document filed by the filer, the filer includes a brief description of the information that has been omitted or marked so as to be unreadable immediately after the provision that has been omitted or marked.

3.3 Certification of bid circulars

(1) A bid circular or a notice of change or notice of variation in respect of the bid circular required under this Instrument must contain a certificate of the offeror in the required form signed:

(a) if the offeror is a person other than an individual, by each of the following:

(i) the chief executive officer or, in the case of a person that does not have a chief executive officer, the individual who performs similar functions to a chief executive officer;

(ii) the chief financial officer or, in the case of a person that does not have a chief financial officer, the individual who performs similar functions to a chief financial officer; and

(iii) 2 directors, other than the chief executive officer and the chief financial officer, who are duly authorized by the board of directors of that person to sign on behalf of the board of directors; or

(b) if the offeror is an individual, by the individual.

(2) For the purposes of subsection (1)(a), if the offeror has fewer than 4 directors and officers, the certificate must be signed by all of the directors and officers.

(3) A directors' circular or a notice of change in respect of a directors' circular required under this Instrument must contain a certificate of the board of directors of the offeree issuer in the required form signed by 2 directors who are duly authorized by the board of directors of that person to sign on behalf of the board of directors.

(4) Every person that files and sends an individual director's or officer's circular or a notice of change in respect of an individual director's or officer's circular under this Instrument must ensure that the circular or notice contains a certificate in the required form and signed by or on behalf of the director or officer sending the circular or notice.

(5) If the regulator or securities regulatory authority is satisfied that either or both of the chief executive officer or chief financial officer cannot sign a certificate required under this Instrument, the regulator or securities regulatory authority may accept a certificate signed by another officer or director.

3.4 Obligation to provide security holder list

(1) If a person makes or proposes to make a take-over bid under Part 2 for a class of securities of an issuer that is not otherwise required by law to provide a list of its security holders to the person, the issuer must provide a list of holders of that class of securities, and any known holder of an option or right to acquire securities of that class, to enable the person to carry out the bid in compliance with this Instrument.

(2) For the purposes of subsection (1), section 21 of the *Canada Business Corporations Act* applies with necessary modifications to the person making or proposing to make the take-over bid and to the issuer, except that the affidavit that accompanies the request for the list of security holders must state that the list will not be used except in connection with a bid made under Part 2 for securities of the issuer.

PART 4 EXEMPTIONS

Division 1 Exempt Take-Over Bids

4.1 Normal course purchase exemption

A take-over bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) the bid is for not more than 5% of the outstanding securities of a class of securities of the offeree issuer;

(b) the aggregate number of securities acquired in reliance on this exemption by the offeror and any person acting jointly or in concert with the offeror within any period of 12 months, when aggregated with acquisitions otherwise made by the offeror and any person acting jointly or in concert with the offeror within the same 12-month period, other than under a bid that is subject to Part 2, does not exceed 5% of the securities of that class outstanding at the beginning of the 12-month period;

(c) there is a published market for the class of securities that are the subject of the bid;

(d) the value of the consideration paid for any of the securities acquired is not in excess of the market price at the date of acquisition, as determined in accordance with section 1.11, plus reasonable brokerage fees or commissions actually paid.

4.2 Private agreement exemption

(1) A take-over bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) purchases are made from not more than 5 persons in the aggregate, including persons located outside the local jurisdiction;

(b) the bid is not made generally to security holders of the class of securities that is the subject of the bid, so long as there are more than 5 security holders of the class;

(c) if there is a published market for the securities acquired, the value of the consideration paid for any of the securities, including brokerage fees or commissions, is not greater than 115% of the market price of the securities at the date of the bid as determined in accordance with section 1.11;

(d) if there is no published market for the securities acquired, there is a reasonable basis for determining that the value of the consideration paid for any of the securities is not greater than 115% of the value of the securities.

(2) In subsection (1), if an offeror makes an offer to acquire securities from a person and the offeror knows or ought to know after reasonable enquiry that:

(a) the person acquired the securities in order that the offeror might make use of the exemption under subsection (1), then each person from whom those securities were acquired must be included in the determination of the number of persons to whom an offer to acquire has been made; or

(b) the person from whom the acquisition is being made is acting as a nominee, agent, trustee, executor, administrator or other legal representative for one or more other persons having a direct beneficial interest in those securities, then each of those other persons must be included in the determination of the number of persons to whom an offer to acquire has been made.

(3) Despite paragraph (2)(b), a trust or estate is to be considered a single security holder in the determination of the number of persons to whom an offer to acquire has been made if:

(a) an inter vivos trust has been established by a single settlor; or

(b) an estate has not vested in all persons who are beneficially entitled to it.

4.3 Non-reporting issuer exemption

A take-over bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) the offeree issuer is not a reporting issuer;

(b) there is no published market for the securities that are the subject of the bid;

(c) the number of security holders of that class of securities at the commencement of the bid is not more than 50, exclusive of holders who:

(i) are in the employment of the offeree issuer or an affiliate of the offeree issuer; or

(ii) were formerly in the employment of the offeree issuer or in the employment of an entity that was an affiliate of the offeree issuer at the time of that employment, and who while in that employment were, and have continued after that employment to be, security holders of the offeree issuer.

4.4 Foreign take-over bid exemption

A take-over bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) security holders whose last address as shown on the books of the offeree issuer is in Canada hold less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid;

(b) the offeror reasonably believes that security holders in Canada beneficially own less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid;

(c) the published market on which the greatest volume of trading in securities of that class occurred during the 12 months immediately preceding the commencement of the bid was not in Canada;

(d) security holders in the local jurisdiction are entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class;

(e) at the same time as material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid, the material is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction;

(f) if the bid materials referred to in paragraph (e) are not in English, a brief summary of the key terms of the bid prepared in English, and in Québec in French or French and English, is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction at the same time as the bid materials are filed and sent;

(g) if no material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid but a notice or advertisement of the bid is published by or on behalf of the offeror in the jurisdiction where the offeree issuer is incorporated or organized, an advertisement of the bid specifying where and how security holders may obtain a copy of, or access to, the bid documents is filed and published in English, and in Québec in French or French and English, in at least one major daily newspaper of general and regular paid circulation in the local jurisdiction.

4.5 De minimis exemption

A take-over bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) the number of beneficial owners of securities of the class subject to the bid in the local jurisdiction is fewer than 50;

(b) the securities held by the beneficial owners referred to in paragraph (a) constitute, in aggregate, less than 2% of the outstanding securities of that class;

(c) security holders in the local jurisdiction are entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class;

(d) at the same time as material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid, the material is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction.

Division 2 Exempt Issuer Bids

4.6 Issuer acquisition or redemption exemption

An issuer bid for a class of securities is exempt from Part 2 if any of the following conditions are satisfied:

(a) the securities are purchased, redeemed or otherwise acquired in accordance with the terms and conditions attaching to the class of securities that permit the purchase, redemption or acquisition of the securities by the issuer without the prior agreement of the owners of the securities, or the securities are acquired to meet sinking fund or purchase fund requirements;

(b) the purchase, redemption or other acquisition is required by the terms and conditions attaching to the class of securities or by the statute under which the issuer was incorporated, organized or continued;

(c) the terms and conditions attaching to the class of securities contain a right of the owner to require the issuer of the securities to redeem, repurchase, or otherwise acquire the securities, and the securities are acquired under the exercise of the right.

4.7 Employee, executive officer, director and consultant exemption

An issuer bid is exempt from Part 2 if the securities are acquired from a current or former employee, executive officer, director or consultant of the issuer or of an affiliate of the issuer and, if there is a published market in respect of the securities:

(a) the value of the consideration paid for any of the securities acquired is not greater than the market price of the securities at the date of the acquisition, determined in accordance with section 1.11; and

(b) the aggregate number of securities or, in the case of convertible debt securities, the aggregate principal amount of securities acquired by the issuer within any period of 12 months in reliance on the exemption provided by this paragraph does not exceed 5% of the securities of that class outstanding at the beginning of the 12-month period.

4.8 Normal course issuer bid exemptions

(1) In this section, **"designated exchange"** means the Toronto Stock Exchange, the TSX Venture Exchange or other exchange recognized or designated by the securities regulatory authorities for the purpose of this Instrument.

(2) An issuer bid that is made in the normal course through the facilities of a designated exchange is exempt from Part 2 if the bid is made in accordance with the bylaws, rules, regulations and policies of that exchange.

(3) An issuer bid that is made in the normal course on a published market, other than a designated exchange, is exempt from Part 2 if all of the following conditions are satisfied:

(a) the bid is for not more than 5% of the outstanding securities of a class of securities of the issuer;

(b) the aggregate number of securities or, in the case of convertible debt securities, the aggregate principal amount of securities acquired in reliance on this exemption by the issuer and any person acting jointly or in concert with the issuer within any 12-month period does not exceed 5% of the securities of that class outstanding at the beginning of the 12-month period;

(c) the value of the consideration paid for any of the securities acquired is not in excess of the market price at the date of acquisition as determined in accordance with section 1.11, plus reasonable brokerage fees or commissions actually paid.

(4) An issuer making a bid under subsection (2) must promptly file any news release required to be issued by the designated exchange.

(5) An issuer making a bid under subsection (3) must issue and file, at least 5 days before the commencement of the bid, a news release containing the following information:

(a) the class and number of securities or principal amount of debt securities sought;

(b) the dates, if known, on which the issuer bid will commence and expire;

(c) the value, in Canadian dollars, of the consideration offered per security;

(d) the manner in which the securities will be acquired; and

(e) the reasons for the issuer bid.

4.9 Non-reporting issuer exemption

An issuer bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) the issuer is not a reporting issuer;

(b) there is no published market for the securities that are the subject of the bid;

(c) the number of security holders of that class of securities at the commencement of the bid is not more than 50, exclusive of holders who:

(i) are in the employment of the issuer or an affiliate of the issuer; or

(ii) were formerly in the employment of the issuer or in the employment of an entity that was an affiliate of the issuer at the time of that employment, and who while in that employment were, and have continued after the employment to be, security holders of the issuer.

4.10 Foreign issuer bid exemption

An issuer bid is exempt from Part 2 if all of the following conditions are satisfied:

(a) security holders whose last address as shown on the books of the offeree issuer is in Canada hold less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid;

(b) the offeror reasonably believes that security holders in Canada beneficially own less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid;

(c) the published market on which the greatest volume of trading in securities of that class occurred during the 12 months immediately preceding the commencement of the bid was not in Canada;

(d) security holders in the local jurisdiction are entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class;

(e) at the same time as material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid, the material is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction;

(f) if the bid materials referred to in paragraph (e) are not in English, a brief summary of the key terms of the bid prepared in English, and in Québec in French or French and English, is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction at the same time as the bid materials are filed and sent;

(g) if no material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid but a notice or advertisement of the bid is published by or on behalf of the offeror in the jurisdiction where the offeree issuer is incorporated or organized, an advertisement of the bid specifying where and how security holders may obtain a copy of, or access to, the bid documents is filed and published in English, and in Québec in French or French and English, in at least one major daily newspaper of general and regular paid circulation in the local jurisdiction.

4.11 De minimis exemption

An issuer bid is exempt from the requirements of Part 2 if all of the following conditions are satisfied:

(a) the number of beneficial owners of the class of securities subject to the bid in the local jurisdiction is fewer than 50;

(b) the securities held by the beneficial owners referred to in paragraph (a) constitute, in aggregate, less than 2% of the outstanding securities of that class;

(c) security holders in the local jurisdiction are entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class;

(d) at the same time as material relating to the bid is sent by or on behalf of the offeror to security holders of the class that is subject to the bid, the material is filed and sent to security holders whose last address as shown on the books of the offeree issuer is in the local jurisdiction.

PART 5 REPORTS AND ANNOUNCEMENTS OF ACQUISITIONS

5.1 Definitions

In this Part:

(a) **"acquiror"** means a person who acquires a security, other than by way of a take-over bid or an issuer bid made in compliance with Part 2; and

(b) **"acquiror's securities"** means securities of an offeree issuer beneficially owned, or over which control or direction is exercised, on the date of an offer to acquire, by an acquiror or any person acting jointly or in concert with the acquiror.

5.2 Early warning

(1) Every acquiror who acquires beneficial ownership of, or control or direction over, voting or equity securities of any class of a reporting issuer or securities convertible into voting or equity securities of any class of a reporting issuer that, together with the acquiror's securities of that class, would constitute 10% or more of the outstanding securities of that class, must:

(a) promptly issue and file a news release containing the information required by section 3.1 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*; and

(b) within 2 business days from the day of the acquisition, file a report containing the information required by section 3.1 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

(2) An acquiror must issue an additional news release and file a report in accordance with subsection (1) each time any of the following events occur:

(a) the acquiror or any person acting jointly or in concert with the acquiror acquires beneficial ownership of, or control or direction over:

(i) an additional 2% or more of the outstanding securities of the class of securities that was the subject of the most recent report required to be filed by the acquiror under this section; or

(ii) securities convertible into an additional 2% or more of the outstanding securities referred to in subparagraph (i);

(b) there is a change in a material fact contained in the report required under subsection (1) or paragraph (a) of this subsection.

(3) During the period beginning on the occurrence of an event in respect of which a report or further report is required to be filed under this section and ending on the expiry of one business day after the date that the report or further report is filed, the acquiror required to file the report or any person acting jointly or in concert with the acquiror must not acquire or offer to acquire beneficial ownership of any securities of the class in respect of which the report or further report is required to be filed or any securities convertible into securities of that class.

(4) Subsection (3) does not apply to an acquiror that has beneficial ownership of, or control or direction over, securities that, together with the acquiror's securities of that class, constitute 20% or more of the outstanding securities of that class.

5.3 Acquisitions during bid

(1) If, after a take-over bid or an issuer bid has been made under Part 2 for voting or equity securities of a reporting issuer and before the expiry of the bid, an acquiror acquires beneficial ownership of, or control or direction over, securities of the class subject to the bid which, when added to the acquiror's securities of that class, constitute 5% or more of the outstanding securities of that class, the acquiror must, before the opening of trading on the next business day, issue and file a news release containing the information required by subsection (3).

(2) An acquiror must issue and file an additional news release in accordance with subsection (3) before the opening of trading on the next business day each time the acquirer, or any person acting jointly or in concert with the acquiror, acquires beneficial ownership of, or control or direction over, in aggregate, an additional 2% or more of the outstanding securities of the class of securities that was the subject of the most recent news release required to be filed by the acquiror under this section.

(3) A news release or further news release required under subsection (1) or (2) must set out:

(a) the name of the acquiror;

(b) the number of securities of the offeree issuer that were beneficially acquired, or over which control or direction was acquired, in the transaction that gave rise to the requirement under subsection (1) or (2) to issue the news release;

(c) the number of securities and the percentage of outstanding securities of the offeree issuer that the acquiror and all persons acting jointly or in concert with the acquiror, have beneficial ownership of, or control or direction over, immediately after the acquisition described in paragraph (b);

(d) the number of securities of the offeree issuer that were beneficially acquired, or over which control or direction was acquired, by the acquiror and all persons acting jointly or in concert with the acquiror, since the commencement of the bid;

(e) the name of the market in which the acquisition described in paragraph (b) took place; and

(f) the purpose of the acquiror and all persons acting jointly or in concert with the acquiror in making the acquisition described in paragraph (b), including any intention of the acquiror and all persons acting jointly or in concert with the acquiror to increase the beneficial ownership of, or control or direction over, any of the securities of the offeree issuer.

5.4 Duplicate news release not required

If the facts in respect of which a news release is required to be filed under sections 5.2 and 5.3 are identical, a news release is required only under the provision requiring the earlier news release.

5.5 Copies of news release and report

An acquiror that files a news release or report under sections 5.2 or 5.3 must promptly send a copy of each filing to the reporting issuer.

PART 6 EXEMPTIONS

6.1 Exemption – general

The regulator or the securities regulatory authority may, under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction, grant an exemption to this Instrument.

6.2 Exemption – collateral benefit

The regulator or the securities regulatory authority may decide for the purposes of section 2.24 that an agreement, commitment or understanding with a selling security holder is made for reasons other than to increase the value of the consideration paid to a selling security holder for the securities of the selling security holder and that the agreement, commitment or understanding may be entered into despite that section.

PART 7 TRANSITION AND COMING INTO FORCE

7.1 Transition

The take-over bid or issuer bid provisions in securities legislation that were in force immediately before the effective date of this Instrument, continue to apply in respect of every take-over bid and issuer bid commenced before the effective date of this Instrument.

FORM 62-104F1
TAKE-OVER BID CIRCULAR

Part 1 General Provisions

(a) Defined terms

If a term is used but not defined in this Form, refer to Part 1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) and to National Instrument 14-101 *Definitions*.

(b) Incorporating information by reference

If you are qualified to file a short form prospectus under sections 2.2 to 2.7 of National Instrument 44-101 *Short Form Prospectus Distributions*, or by reason of an exemption granted by a securities regulatory authority, you may incorporate information required under item 19 to be included in your take-over bid circular by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your take-over bid circular. Unless you have already filed the referenced document, you must file it with your take-over bid circular. You must also disclose that the document is on SEDAR at www.sedar.com and that, on request, you will promptly provide a copy of the document free of charge to a security holder of the offeree issuer.

(c) Plain language

Write the take-over bid circular so that readers are able to understand it and make informed investment decisions. Offerors should apply plain language principles when they prepare a take-over bid circular including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;

- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

If you use technical terms, explain them in a clear and concise manner.

(d) Numbering and headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the heading or numbering or follow the order of items in this Form. You do not need to refer to inapplicable items and, unless otherwise required in this Form, you may omit negative answers to items. Disclosure provided in response to any item need not be repeated elsewhere in the circular.

Part 2 Contents of Take-Over Bid Circular

Item 1 Name and description of offeror

State the corporate name of the offeror or, if the offeror is an unincorporated entity, the full name under which it exists and carries on business, and give a brief description of its activities.

Item 2 Name of offeree issuer

State the corporate name of the offeree issuer or, if the offeree issuer is an unincorporated entity, the full name under which it exists and carries on business.

Item 3 Securities subject to the bid

State the class and number of securities that are the subject of the take-over bid and a description of the rights of the holders of any other class of securities that have a right to participate in the offer.

Item 4 Time period

State the dates on which the take-over bid will commence and expire.

Item 5 Consideration

State the consideration to be offered. If the consideration includes securities, state the particulars of the designation, rights, privileges, restrictions and conditions attaching to those securities.

Item 6 Ownership of securities of offeree issuer

State the number, designation and percentage of the outstanding securities of any class of securities of the offeree issuer beneficially owned or over which control or direction is exercised:

(a) by the offeror;

(b) by each director and officer of the offeror; and

(c) if known after reasonable enquiry, by:

(i) each associate or affiliate of an insider of the offeror;

(ii) an insider of the offeror, other than a director or officer of the offeror; and

(iii) any person acting jointly or in concert with the offeror.

In each case where no securities are owned, directed or controlled, state this fact.

Item 7 Trading in securities of offeree issuer

State, if known after reasonable enquiry, the following information about any securities of the offeree issuer purchased or sold by the persons referred to in item 6 during the 6-month period preceding the date of the take-over bid:

(a) the description of the security;

(b) the number of securities purchased or sold;

(c) the purchase or sale price of the security;

(d) the date of the transaction.

If no such securities were purchased or sold, state this fact.

Item 8 Commitments to acquire securities of offeree issuer

Disclose all agreements, commitments or understandings made by the offeror, and, if known after reasonable enquiry, by the persons referred to in item 6 to acquire securities of the offeree issuer, and the terms and conditions of those agreements, commitments or understandings.

Item 9 Terms and conditions of the bid

State the terms of the take-over bid. If the obligation of the offeror to take up and pay for securities under the take-over bid is conditional, state the particulars of each condition.

Item 10 Payment for deposited securities

State the particulars of the method and time of payment of the consideration.

Item 11 Right to withdraw deposited securities

Describe the withdrawal rights of the security holders of the offeree issuer under the take-over bid. State that the withdrawal is made by sending a written notice to the designated depository and becomes effective on its receipt by the depository.

Item 12 Source of funds

State the source of any funds to be used for payment of deposited securities. If the funds are to be borrowed, state:

(a) the name of the lender;

(b) the terms and financing conditions of the loan;

(c) the circumstances under which the loan must be repaid; and

(d) the proposed method of repayment.

Item 13 Trading in securities to be acquired

Provide a summary showing:

(a) the name of each principal market on which the securities sought are traded;

(b) any change in a principal market that is planned following the take-over bid, including but not limited to listing or de-listing on an exchange;

(c) where reasonably ascertainable, in reasonable detail, the volume of trading and price range of the class of the securities in the 6-month period preceding the date of the take-over bid, or, in the case of debt securities, the prices quoted on each principal market; and

(d) the date that the take-over bid to which the circular relates was announced to the public and the market price of the securities immediately before that announcement.

Item 14 Arrangements between the offeror and the directors and officers of offeree issuer

Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeror and any of the directors or officers of the offeree issuer, including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the take-over bid is successful.

Item 15 Arrangements between the offeror and security holders of offeree issuer

(1) Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeror and a security holder of the offeree issuer relating to the bid, including a description of its purpose, its date, the identity of the parties, and its terms and conditions. Disclosure with respect to each agreement, commitment or understanding, other than an agreement that a security holder will tender securities to a take-over bid made by the offeror, must include:

(a) a detailed explanation as to how the offeror determined entering into it was not prohibited by section 2.24 of the Instrument; or

(b) disclosure of the exception to, or exemption from, the prohibition against collateral agreements relied on by the offeror and the facts supporting that reliance.

(2) If the offeror is relying on an exception to the prohibition against collateral agreements under subparagraph 2.25(1)(b)(ii) of the Instrument, and if the information is available to the offeror, disclose the review process undertaken by the independent committee of directors of the issuer and the basis on which the independent committee made its determination under clause 2.25(1)(b)(ii)(A) or (B) of the Instrument.

Item 16 Arrangements with or relating to the offeree issuer

Disclose the particulars of any agreement, commitment or understanding made between the offeror and the offeree issuer relating to the take-over bid and any other agreement, commitment or understanding of which the offeror is aware that could affect control of the offeree issuer, including an agreement with change of control provisions, a security holder agreement or a voting trust agreement that the offeror has access to and that can reasonably be regarded as material to a security holder in deciding whether to deposit securities under the bid.

Item 17 Purpose of the bid

State the purpose of the take-over bid. Disclose the particulars of any plans or proposals for:

(a) subsequent transactions involving the offeree issuer such as a going private transaction; or

(b) material changes in the affairs of the offeree issuer, including, for example, any proposal to liquidate the offeree issuer, to sell, lease or exchange all or a substantial part of its assets, to amalgamate it with any other business organization or to make any material changes in its business, corporate structure (debt or equity), management or personnel.

Item 18 Valuation

If the take-over bid is an insider bid, as defined in applicable securities legislation, include the disclosure regarding valuations required by securities legislation.

Item 19 Securities of an offeror or other issuer to be exchanged for securities of offeree issuer

(1) If a take-over bid provides that the consideration for the securities of the offeree issuer is to be, in whole or in part, securities of the offeror or other issuer, include the financial statements and other information required in a prospectus of the issuer whose securities are being offered in exchange for the securities of the offeree issuer.

(2) For the purposes of subsection (1), provide the pro forma financial statements that would be required in a prospectus assuming that:

(a) the likelihood of the offeror completing the acquisition of securities of the offeree issuer is high; and

(b) the acquisition is a significant acquisition for the offeror.

(3) Despite subsection (1), the financial statements of the offeree issuer are not required to be included in the circular.

Item 20 Right of appraisal and acquisition

State any rights of appraisal the security holders of the offeree issuer have under the laws or constating document governing, or contracts binding, the offeree issuer and state whether or not the offeror intends to exercise any right of acquisition the offeror may have.

Item 21 Market purchases of securities

State whether or not the offeror intends to purchase in the market securities that are the subject of the take-over bid.

Item 22 Approval of take-over bid circular

If the take-over bid is made by or on behalf of an offeror that has directors, state that the take-over bid circular has been approved and its sending has been authorized by the directors.

Item 23 Other material facts

Describe:

(a) any material facts concerning the securities of the offeree issuer; and

(b) any other matter not disclosed in the take-over bid circular that has not previously been generally disclosed, is known to the offeror, and that would reasonably be expected to affect the decision of the security holders of the offeree issuer to accept or reject the offer.

Item 24 Solicitations

Disclose any person retained by or on behalf of the offeror to make solicitations in respect of the take-over bid and the particulars of the compensation arrangements.

Item 25 Statement of rights

Include the following statement of rights provided under the securities legislation of the jurisdictions relating to this circular:

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

Item 26 Certificate

A take-over bid circular certificate form must state:

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Item 27 Date of take-over bid circular

Specify the date of the take-over bid circular.

FORM 62-104F2
ISSUER BID CIRCULAR

Part 1 General Provisions

(a) Defined terms

If a term is used but not defined in this Form, refer to Part 1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) and to National Instrument 14-101 *Definitions*.

(b) Incorporating information by reference

If you are qualified to file a short form prospectus under sections 2.2 to 2.7 of National Instrument 44-101 *Short Form Prospectus Distributions*, or by reason of an exemption granted by a securities regulatory authority, you may incorporate information required under item 21 to be included in your issuer bid circular by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your issuer bid circular. Unless you have already filed the referenced document, you must file it with your issuer bid circular. You must also disclose that the document is on SEDAR at www.sedar.com and that, on request, you will promptly provide a copy of the document free of charge to a security holder of the issuer.

(c) Plain language

Write the issuer bid circular so that readers are able to understand it and make informed investment decisions. Issuers should apply plain language principles when they prepare an issuer bid circular including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

If you use technical terms, explain them in a clear and concise manner.

(d) Numbering and headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the heading or numbering or follow the order of items in this Form. You do not need to refer to inapplicable items and, unless otherwise required in this Form, you may omit negative answers to items. Disclosure provided in response to any item need not be repeated elsewhere in the circular.

Part 2 Contents of Issuer Bid Circular

Item 1 Name of issuer

State the corporate name of the issuer or, if the issuer is an unincorporated entity, the full name under which it exists and carries on business.

Item 2 Securities subject to the bid

State the class and number of securities that are the subject of the issuer bid and a description of the rights of the holders of any other class of securities that have a right to participate in the offer. Where the number of securities sought under the bid is subject to additional purchases by the issuer for the purpose of preventing security holders from being left with less than a standard trading unit, disclose this fact.

Where the issuer intends to rely on the exception from the proportionate take up and payment requirements found in subsection 2.26(3) of the Instrument relating to "dutch auctions", the issuer is not required to disclose the number of securities that are the subject of the issuer bid if the issuer discloses a maximum amount the issuer intends to spend making purchases pursuant to the bid.

Item 3 Time period

State the dates on which the issuer bid will commence and expire.

Item 4 Consideration

State the consideration to be offered. If the consideration includes securities, state the particulars of the designation, rights, privileges, restrictions and conditions attaching to those securities.

Item 5 Payment for deposited securities

State the particulars of the method and time of payment of the consideration.

Item 6 Right to withdraw deposited securities

Describe the right to withdraw securities deposited under the issuer bid. State that the withdrawal is made by sending a written notice to the designated depository and becomes effective on its receipt by the depository.

Item 7 Source of funds

State the source of any funds to be used for payment of deposited securities. If the funds are to be borrowed, state:

(a) the name of the lender;

(b) the terms and financing conditions of the loan;

(c) the circumstances under which the loan must be repaid; and

(d) the proposed method of repayment.

Item 8 Participation

If the issuer bid is for less than all of the outstanding securities of that class, state that if a greater number or principal amount of the securities are deposited than the issuer is bound or willing to take up and pay for, the issuer will take up as nearly as may be proportionately, disregarding fractions, according to the number or principal amount of the securities deposited. To the extent that this is not the case, as permitted by securities legislation, the response to this item should be modified accordingly.

If an issuer intends to rely on one or both of the exceptions from the proportionate take up and payment requirements found in subsections 2.26 (2) and (3) of the Instrument relating to standard trading units and "dutch auctions", describe the mechanism under which securities would be deposited and taken up without proration.

Item 9 Purpose of the bid

State the purpose for the issuer bid, and if it is anticipated that the issuer bid will be followed by a going private transaction or other transaction such as a business combination, describe the proposed transaction.

Item 10 Trading in securities to be acquired

Provide a summary showing:

(a) the name of each principal market on which the securities sought are traded;

(b) any change in a principal market that is planned following the issuer bid;

(c) where reasonably ascertainable, in reasonable detail, the volume of trading and price range of the class of the securities in the 6-month period preceding the date of the issuer bid, or, in the case of debt securities, the prices quoted on each principal market; and

(d) the date that the issuer bid to which the circular relates was announced to the public and the market price of the securities of the issuer immediately before that announcement.

Item 11 Ownership of securities of issuer

State the number, designation and the percentage of the outstanding securities of any class of securities of the issuer beneficially owned or over which control or direction is exercised:

(a) by each director and officer of the issuer; and

(b) if known after reasonable enquiry, by:

(i) each associate or affiliate of an insider of the issuer;

(ii) each associate or affiliate of the issuer;

(iii) an insider of the issuer, other than a director or officer of the issuer; and

(iv) each person acting jointly or in concert with the issuer.

In each case where no securities are owned, directed or controlled, state this fact.

Item 12 Commitments to acquire securities of issuer

Disclose all agreements, commitments or understandings made by the issuer and, if known after reasonable enquiry, by the persons referred to in item 11, to acquire securities of the issuer, and the terms and conditions of those agreements, commitments or understandings.

Item 13 Acceptance of issuer bid

If known after reasonable enquiry, state the name of every person named in item 11 who has accepted or intends to accept the issuer bid and the number of securities in respect of which the person has accepted or intends to accept the issuer bid.

Item 14 Benefits from the bid

State the direct or indirect benefits to any of the persons named in item 11 of accepting or refusing the issuer bid.

Item 15 Material changes in the affairs of issuer

Disclose the particulars of any plans or proposals for material changes in the affairs of the issuer, including, for example, any contract or agreement under negotiation, any proposal to liquidate the issuer, to sell, lease or exchange all or a substantial part of its assets, to amalgamate it or to make any material changes in its business, corporate structure (debt or equity), management or personnel.

Item 16 Other benefits

If any material changes or subsequent transactions are contemplated, as described in item 9 or 15, state any specific benefit, direct or indirect, as a result of such changes or transactions to any of the persons named in item 11.

Item 17 Arrangements between the issuer and security holders

(1) Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the issuer and a security holder of the issuer relating to the bid, including a description of its purpose, its date, the identity of the parties, and its terms and conditions. Disclosure with respect to each agreement, commitment or understanding, other than an agreement that a security holder will tender securities to an issuer bid, must include:

(a) a detailed explanation as to how the issuer determined entering into it was not prohibited by section 2.24 of the Instrument; or

(b) disclosure of the exception to, or exemption from, the prohibition against collateral agreements relied on by the issuer and the facts supporting that reliance.

(2) If the issuer is relying on an exception to the prohibition against collateral agreements under subparagraph 2.25(1)(b)(ii) of the Instrument, and if the information is available to the issuer, disclose the review process undertaken by the independent committee of directors of the issuer and the basis on which the independent committee made its determination under clause 2.25(1)(b)(ii)(A) or (B) of the Instrument.

Item 18 Previous purchases and sales

State the following information about any securities of the issuer purchased or sold by the issuer during the twelve months preceding the date of the issuer bid, excluding securities purchased or sold pursuant to the exercise of employee stock options, warrants and conversion rights:

(a) the description of the security;

(b) the number of securities purchased or sold;

(c) the purchase or sale price of the security; and

(d) the date and purpose of each transaction.

If no securities were purchased or sold, state this fact.

Item 19 Financial statements

If the most recently available interim financial report is not included, include a statement that the most recent interim financial report will be sent without charge to any security holder requesting them.

Item 20 Valuation

If a valuation is required by applicable securities legislation, include the disclosure regarding valuations required by securities legislation.

Item 21 Securities of issuer to be exchanged for others

If an issuer bid provides that the consideration for the securities of the issuer is to be, in whole or in part, different securities of the issuer, include the financial and other information prescribed for a prospectus of the issuer.

Item 22 Approval of issuer bid circular

State that the issuer bid circular has been approved by the issuer's directors, disclosing the name of any individual director of the issuer who has informed the directors in writing of their opposition to the issuer bid and that the delivery of the issuer bid circular to the security holders of the issuer has been authorized by the issuer's directors.

If the issuer bid is part of a transaction or to be followed by a transaction required to be approved by minority security holders, state the nature of the approval required.

Item 23 Previous distribution

If the securities of the class subject to the issuer bid were distributed during the 5 years preceding the issuer bid, state the distribution price per share and the aggregate proceeds received by the issuer or selling security holder.

Item 24 Dividend policy

State the frequency and amount of dividends with respect to shares of the issuer during the 2 years preceding the date of the issuer bid, any restrictions on the issuer's ability to pay dividends and any plan or intention to declare a dividend or to alter the dividend policy of the issuer.

Item 25 Tax consequences

Provide a general description of the income tax consequences in Canada of the issuer bid to the issuer and to the security holders of any class affected.

Item 26 Expenses of bid

Provide a statement of the expenses incurred or to be incurred in connection with the issuer bid.

Item 27 Right of appraisal and acquisition

State any rights of appraisal the security holders of the issuer have under the laws or constating documents governing, or contracts binding, the issuer and state whether or not the issuer intends to exercise any right of acquisition the issuer may have.

Item 28 Statement of rights

Include the following statement of rights provided under the securities legislation of the jurisdictions relating to this circular:

> *Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.*

Item 29 Other material facts

Describe:

(a) any material facts concerning the securities of the issuer; and

(b) any other matter not disclosed in the issuer bid circular that has not previously been generally disclosed, is known to the issuer, and that would reasonably be expected to affect the decision of the security holders of the issuer to accept or reject the offer.

Item 30 Solicitations

Disclose any person retained by or on behalf of the issuer to make solicitations in respect of the issuer bid and the particulars of the compensation arrangements.

Item 31 Certificate

An issuer bid circular certificate form must state:

> *The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.*

Item 32 Date of issuer bid circular

Specify the date of the issuer bid circular.

FORM 62-104F3
DIRECTORS' CIRCULAR

Part 1 General Provisions

(a) Defined terms

If a term is used but not defined in this Form, refer to Part 1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) and to National Instrument 14-101 *Definitions*.

(b) Plain language

Write the directors' circular so that readers are able to understand it and make informed investment decisions. Directors should apply plain language principles when they prepare a directors' circular including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

If you use technical terms, explain them in a clear and concise manner.

(c) Numbering and headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the heading or numbering or follow the order of items in this Form. You do not need to refer to inapplicable items and, unless otherwise required in this Form, you may omit negative answers to items. Disclosure provided in response to any item need not be repeated elsewhere in the circular.

Part 2 Contents of Directors' Circular

Item 1 Name of offeror

State the corporate name of the offeror or, if the offeror is an unincorporated entity, the full name under which it exists and carries on business.

Item 2 Name of offeree issuer

State the corporate name of the offeree issuer or, if the offeree issuer is an unincorporated entity, the full name under which it exists and carries on business.

Item 3 Names of directors of the offeree issuer

State the name of each director of the offeree issuer.

Item 4 Ownership of securities of offeree issuer

State the number, designation and the percentage of the outstanding securities of any class of securities of the offeree issuer beneficially owned or over which control or direction is exercised:

(a) by each director and officer of the offeree issuer; and

(b) if known after reasonable enquiry, by:

(i) each associate or affiliate of an insider of the offeree issuer;

(ii) each associate or affiliate of the offeree issuer;

(iii) an insider of the offeree issuer, other than a director or officer of the offeree issuer; and

(iv) each person acting jointly or in concert with the offeree issuer.

In each case where no securities are owned, directed or controlled, state this fact.

Item 5 Acceptance of take-over bid

If known after reasonable enquiry, state the name of every person named in item 4 who has accepted or intends to accept the offer and the number of securities in respect of which such person has accepted or intends to accept the offer.

Item 6 Ownership of securities of offeror

If a take-over bid is made by or on behalf of an offeror that is an issuer, state the number, designation and percentage of the outstanding securities of any class of securities of the offeror beneficially owned or over which control or direction is exercised:

(a) by the offeree issuer;

(b) by each director and officer of the offeree issuer; and

(c) if known after reasonable enquiry, by:

(i) each associate or affiliate of an insider of the offeree issuer;

(ii) each affiliate or associate of the offeree issuer; and

(iii) an insider of the offeree issuer, other than a director or officer of the offeree issuer; and

(iv) each person acting jointly or in concert with the offeree issuer.

In each case where no securities are so owned, directed or controlled, state this fact.

Item 7 Relationship between the offeror and the directors and officers of the offeree issuer

Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeror and any of the directors or officers of the offeree issuer, including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the take-over bid is successful. State also whether any directors or officers of the offeree issuer are also directors or officers of the offeror or any subsidiary of the offeror and identify those persons.

Item 8 Arrangements between offeree issuer and officers and directors

Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeree issuer and any of the directors or officers of the offeree issuer, including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the take-over bid is successful.

Item 9 Arrangements between the offeror and security holders of offeree issuer

(1) If not already disclosed in the take-over bid circular, disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeror and a security holder of the offeree issuer relating to the bid, including a description of its purpose, its date, the identity of the parties, and its terms and conditions. Disclosure with respect to each agreement, commitment or understanding, other than an agreement that a security holder will tender securities to a take-over bid made by the offeror, must include:

(a) a detailed explanation as to how the offeror determined entering into it was not prohibited by section 2.24 of the Instrument; or

(b) disclosure of the exception to, or exemption from, the prohibition against collateral agreements relied on by the offeror and the facts supporting that reliance.

(2) If the offeror is relying on an exception to the prohibition against collateral agreements under subparagraph 2.25(1)(b)(ii) of the Instrument, and if not already disclosed in the take-over bid circular, disclose the review process undertaken by the independent committee of directors of the issuer and the basis on which the independent committee made its determination under clause 2.25(1)(b)(ii)(A) or (B) of the Instrument.

Item 10 Interests of directors and officers of the offeree issuer in material transactions with offeror

State whether any director or officer of the offeree issuer and their associates and, if known to the directors or officers after reasonable enquiry, whether any person who owns more than 10 % of any class of equity securities of the offeree issuer for the time being outstanding has any interest in any material transaction to which the offeror is a party, and if so, state particulars of the nature and extent of such interest.

Item 11 Trading by directors, officers and other insiders

(1) State the number of securities of the offeree issuer traded, the purchase or sale price and the date of each transaction during the 6-month period preceding the date of the directors' circular by the offeree issuer and each director, officer or other insider of the offeree issuer, and, if known after reasonable enquiry, by:

(a) each associate or affiliate of an insider of the offeree issuer;

(b) each affiliate or associate of the offeree issuer; and

(c) each person acting jointly or in concert with the offeree issuer.

(2) Disclose the number and price of securities of the offeree issuer of the class of securities subject to the bid or convertible into securities of that class that have been issued to the directors, officers and other insiders of the offeree issuer during the 2-year period preceding the date of the circular.

Item 12 Additional information

If any information required to be disclosed by the take-over bid circular prepared by the offeror has been presented incorrectly or is misleading, supply any additional information which will make the information in the circular correct or not misleading.

Item 13 Material changes in the affairs of offeree issuer

State the particulars of any information known to any of the directors or officers of the offeree issuer that indicates any material change in the affairs of the offeree issuer since the date of the last published interim financial report or annual financial statements of the offeree issuer.

Item 14 Other material information

State the particulars of any other information known to the directors but not already disclosed in the directors' circular that would reasonably be expected to affect the decision of the security holders of the offeree issuer to accept or reject the offer.

Item 15 Recommending acceptance or rejection of the bid

Include either a recommendation to accept or reject the take-over bid and the reasons for such recommendation or a statement that the directors are unable to make or are not making a recommendation. If no recommendation is made, state the reasons for not making a recommendation. If the directors of an offeree issuer are considering recommending acceptance or rejection of a take-over bid after the sending of the directors' circular, state that fact.

Item 16 Response of offeree issuer

Describe any transaction, directors' resolution, agreement in principle or signed contract of the offeree issuer in response to the bid. Disclose whether there are any negotiations underway in response to the bid, which relate to or would result in:

(a) an extraordinary transaction such as a merger or reorganization involving the offeree issuer or a subsidiary;

(b) the purchase, sale or transfer of a material amount of assets by the offeree issuer or a subsidiary;

(c) a competing take-over bid;

(d) a bid by the offeree issuer for its own securities or for those of another issuer; or

(e) any material change in the present capitalization or dividend policy of the offeree issuer.

If there is an agreement in principle, give full particulars.

Item 17 Approval of directors' circular

State that the directors' circular has been approved and its sending has been authorized by the directors of the offeree issuer.

Item 18 Statement of rights

Include the following statement of rights provided under the securities legislation of the jurisdictions relating to this circular:

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

Item 19 Certificate

A directors' circular certificate form must state:

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Item 20 Date of directors' circular

Specify the date of the directors' circular.

FORM 62-104F4
DIRECTOR'S OR OFFICER'S CIRCULAR

Part 1 General Provisions

(a) Defined terms

If a term is used but not defined in this Form, refer to Part 1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) and to National Instrument 14-101 *Definitions*.

(b) Plain language

Write the director's or officer's circular so that readers are able to understand it and make informed investment decisions. Directors and officers should apply plain language principles when they prepare a director's or officer's circular including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

If you use technical terms, explain them in a clear and concise manner.

(c) Numbering and headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the heading or numbering or follow the order of items in this Form. You do not need to refer to inapplicable items and, unless otherwise required in this Form, you may omit negative answers to items. Disclosure provided in response to any item need not be repeated elsewhere in the circular.

Part 2 Contents of Director's or Officer's Circular

Item 1 Name of offeror

State the corporate name of the offeror or, if the offeror is an unincorporated entity, the full name under which it exists and carries on business.

Item 2 Name of offeree issuer

State the corporate name of the offeree issuer or, if the offeree issuer is an unincorporated entity, the full name under which it exists and carries on business.

Item 3 Name of director or officer of offeree issuer

State the name of each director or officer delivering the circular.

Item 4 Ownership of securities of offeree issuer

State the number, designation and percentage of the outstanding securities of any class of securities of the offeree issuer beneficially owned or over which control or direction is exercised:

(a) by the director or officer; and

(b) if known after reasonable enquiry, by the associates of the director or officer.

In each case where no securities are so owned, directed or controlled, state this fact.

Item 5 Acceptance of bid

State whether the director or officer of the offeree issuer and, if known after reasonable enquiry whether any associate of such director or officer, has accepted or intends to accept the offer and state the number of securities in respect of which the director or officer, or any associate, has accepted or intends to accept the offer.

Item 6 Ownership of securities of offeror

If a take-over bid is made by or on behalf of an issuer, state the number, designation and percentage of the outstanding securities of any class of securities of the offeror beneficially owned or over which control or direction is exercised:

(a) by the director or officer; or

(b) if known after reasonable enquiry, by the associates of the director or officer.

In each case where no securities are so owned, directed or controlled, state this fact.

Item 7 Arrangements between offeror and director or officer

Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeror and the director or officer, including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office or the director or officer remaining in or retiring from office if the take-over bid is successful. State whether the director or officer is also a director or officer of the offeror or any subsidiary of the offeror.

Item 8 Arrangements between offeree issuer and director or officer

Disclose the particulars of any agreement, commitment or understanding made or proposed to be made between the offeree issuer and the director or officer, including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office or his or her remaining in or retiring from office if the take-over bid is successful.

Item 9 Interests of director or officer in material transactions with offeror

State whether the director or officer or the associates of the director or officer have any interest in any material transaction to which the offeror is a party, and if so, state the particulars of the nature and extent of such interest.

Item 10 Additional information

If any information required to be disclosed by the take-over bid circular prepared by the offeror or the directors' circular prepared by the directors has been presented incorrectly or is misleading, supply any additional information within the knowledge of the director or officer which would make the information in the take-over bid circular or directors' circular correct or not misleading.

Item 11 Material changes in the affairs of offeree issuer

State the particulars of any information known to the director or officer that indicates any material change in the affairs of the offeree issuer since the date of the last published interim financial report or annual financial statements of the offeree issuer and not generally disclosed or in the opinion of the director or officer not adequately disclosed in the take-over bid circular or directors' circular.

Item 12 Other material information

State the particulars of any other information known to the director or officer but not already disclosed in the director's or officer's circular that would reasonably be expected to affect the decision of the security holders of the offeree issuer to accept or reject the offer.

Item 13 Recommendation

State the recommendation of the director or officer and the reasons for the recommendation.

Item 14 Statement of rights

Include the following statement of rights provided under the securities legislation of the jurisdictions relating to this circular:

> *Securities legislation of the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revison or to damages if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.*

Item 15 Certificate

Include a certificate in the following form signed by or on behalf of each director or officer delivering the circular:

> *The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.*

Item 16 Date of director's or officer's circular

Specify the date of the director's or officer's circular.

FORM 62-104F5

NOTICE OF CHANGE OR NOTICE OF VARIATION

Part 1 General Provisions

(a) Defined terms

If a term is used but not defined in this Form, refer to Part 1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) and to National Instrument 14-101 *Definitions*.

(b) Plain language

Write the notice of change or notice of variation so that readers are able to understand it and make informed investment decisions. Plain language principles should be applied when preparing a notice of change or notice of variation including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

If you use technical terms, explain them in a clear and concise manner.

(c) Numbering and headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the heading or numbering or follow the order of items in this Form. You do not need to refer to inapplicable items and, unless otherwise required in this Form, you may omit negative answers to items. Disclosure provided in response to any item need not be repeated elsewhere in the circular.

Part 2 Contents of Notice of Change or Notice of Variation

Item 1 Name of offeror

State the corporate name of the offeror or, if the offeror is an unincorporated entity, the full name under which it exists and carries on business.

Item 2 Name of offeree issuer (if applicable)

State the corporate name of the offeree issuer or, if the offeree issuer is an unincorporated entity, the full name under which it exists and carries on business.

Item 3 Particulars of notice of change or notice of variation

(1) A notice of change required under section 2.11 of the Instrument must contain:

(a) a description of the change in the information contained in:

(i) the take-over bid circular or issuer bid circular; and

(ii) any notice of change previously delivered under section 2.11;

(b) the date of the change;

(c) the date up to which securities may be deposited;

(d) the date by which securities deposited must be taken up by the offeror; and

(e) a description of the rights of withdrawal that are available to security holders.

(2) A notice of variation required under section 2.12 of the Instrument must contain:

(a) a description of the variation in the terms of the take-over bid or issuer bid;

(b) the date of the variation;

(c) the date up to which securities may be deposited;

(d) the date by which securities deposited must be taken up by the offeror;

(e) if the date referred to in paragraph (d) is not known, a description of the legal requirements regarding the timing of take up of securities deposited under the bid;

(f) a description of when payment will be made for deposited securities in relation to the time in which they are taken up by the offeror; and

(g) a description of the rights of withdrawal that are available to security holders.

(3) A notice of change required under section 2.18 or subsection 2.20(2) of the Instrument must contain, as applicable, a description of the change in the information contained in:

(a) the directors' circular;

(b) any notice of change previously delivered under section 2.18;

(c) the director's or officer's circular; or

(d) any notice of change previously delivered under subsection 2.20(2).

Item 4 Statement of rights

Include the following statement of rights provided under the securities legislation of the jurisdictions relating to this notice:

> *Securities legislation of the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.*

Item 5 Certificate

Include the signed certificate required in the bid circular, directors' circular or director's or officer's circular, amended to refer to the initial circular and to all subsequent notices of change or notices of variation.

Item 6 Date of notice of change or notice of variation

Specify the date of the notice of change or notice of variation.

29 Feb 2008 SR 7/2008 s5; 8 Jly 2011 SR 41/2011 s22.

PART XLVIII
[*Clause 2(vv)*]

MULTILATERAL INSTRUMENT 11-102
PASSPORT SYSTEM

PART 1 DEFINITIONS

1.1 Definitions

In this Instrument:

"category" means a category of registration set out in NI 31-103;

"equivalent provision" means, for a provision listed in Appendix D below the name of a jurisdiction, the provision set opposite that provision below the name of another jurisdiction;

"firm" means a person or company that is registered, or is seeking registration, as a dealer, adviser or investment fund manager;

"foreign firm" means a firm that has its head office outside Canada;

"foreign individual" means an individual whose working office is outside Canada;

"Form 33-109F2" means Form 33-109F2 *Change or Surrender of Individual Categories* under NI 33-109;

"Form 33-109F4" means Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under NI 33-109;

"Form 33-109F5" means Form 33-109F5 *Change of Registration Information* under NI 33-109;

"Form 33-109F6" means Form 33-109F6 *Firm Registration* under NI 33-109**";**

"national prospectus instrument" means:

(a) National Instrument 41-101 *General Prospectus Requirements*;

(b) National Instrument 44-101 *Short Form Prospectus Distributions*;

(c) National Instrument 44-102 *Shelf Distributions*;

(d) National Instrument 44-103 *Post-Receipt Pricing*;

(d.1) National Instrument 71-101 *The Multijurisdictional Disclosure System*; or

(e) National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"NI 31-103" means National Instrument 31-103 *Registration Requirements and Exemptions*;

"NI 33-109" means National Instrument 33-109 *Registration Information;*

"preliminary prospectus" includes an amendment to a preliminary prospectus;

"principal jurisdiction" means, for a person or company, the jurisdiction of the principal regulator;

"principal regulator" means, for a person or company, the securities regulatory authority or regulator determined in accordance with Part 3, 4, or 4A, as applicable;

"prospectus" includes an amendment to a prospectus;

"SEDAR" has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval;*

"sponsoring firm" has the same meaning as in NI 33-10;

"working office" means the office of the sponsoring firm where an individual does most of his or her business.

1.2 Language of documents – Québec

In Québec, nothing in this Instrument shall be construed as relieving a person from requirements relating to the language of documents.

PART 2 Repealed. 2 Oct 2009 SR 81/2009 s16.

PART 3 PROSPECTUS

3.1 Principal regulator for prospectus

(1) For the purposes of this section, the specified jurisdictions are British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia.

(2) Subject to subsection (3) and section 3.2, for the purposes of a prospectus filing subject to this Part the principal regulator is the securities regulatory authority or regulator of the jurisdiction in which:

(a) the issuer's head office is located, if the issuer is not an investment fund; or

(b) the investment fund manager's head office is located, if the issuer is an investment fund.

(3) If the jurisdiction identified under paragraph (2) (a) or (b) is not a specified jurisdiction, the principal regulator is the securities regulatory authority or regulator of the specified jurisdiction with which the issuer or, in the case of an investment fund, the investment fund manager, has the most significant connection.

3.2 Discretionary change of principal regulator for prospectus

If a person or company receives written notice from a securities regulatory authority or regulator that specifies a principal regulator, the securities regulatory authority or regulator specified in the notice is the principal regulator as of the later of:

(a) the date the person or company receives the notice; and

(b) the effective date specified in the notice, if any.

3.3 Deemed issuance of receipt

(1) Subject to section 3.5(1), a receipt for a preliminary prospectus is deemed to be issued if:

(a) the preliminary prospectus is filed under a provision set out in Appendix B and under a national prospectus instrument;

(b) at the time of filing the preliminary prospectus, the filer indicates on SEDAR that it is filing the preliminary prospectus under this Instrument;

(c) the local jurisdiction is not the principal jurisdiction for the preliminary prospectus; and

(d) the preliminary prospectus is filed with the principal regulator and the principal regulator issues a receipt for it.

(2) A receipt for a prospectus is deemed to be issued if:

(a) the prospectus is filed under a provision set out in Appendix B and under a national prospectus instrument;

(b) subject to section 3.5(2), the filer:

(i) complied with paragraph (1)(b) at the time of filing the related preliminary prospectus; or

(ii) indicated on SEDAR that it filed the related pro forma prospectus under this Instrument at the time of filing the related pro forma prospectus;

(c) the local jurisdiction is not the principal jurisdiction for the prospectus; and

(d) the prospectus is filed with the principal regulator and the principal regulator issues a receipt for the prospectus.

3.4 Repealed. 2 Oct 2009 SR 81/2009 s16.

3.5 Transition for section 3.3

(1) Section 3.3(1) does not apply in respect of a receipt issued on or after March 17, 2008 if the receipt relates to an amendment, filed after March 17, 2008, to a preliminary prospectus and the preliminary prospectus was filed before March 17, 2008.

(2) Section 3.3(2)(b) does not apply in respect of a receipt issued on or after March 17, 2008 if:

(a) the receipt relates to an amendment to a prospectus whose related preliminary prospectus or pro forma prospectus was filed before March 17, 2008; and

(b) the filer indicated on SEDAR that it filed the amendment under this Instrument at the time of filing the amendment.

PART 4 DISCRETIONARY EXEMPTIONS

4.1 Specified jurisdiction

For the purposes of this Part, the specified jurisdictions are British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia.

4.2 Principal regulator – general

Subject to sections 4.3 to 4.6, the principal regulator for an application for an exemption is:

(a) for an application made with respect to an investment fund, the securities regulatory authority or regulator of the jurisdiction in which the investment fund manager's head office is located; or

(b) for an application made with respect to a person or company other than an investment fund, the securities regulatory authority or regulator of the jurisdiction in which the person or company's head office is located.

4.3 Principal regulator – exemptions related to insider reporting and take-over bids

Subject to sections 4.4 to 4.6, the principal regulator for an application for an exemption from:

(a) a provision related to insider reporting listed in Appendix D is the securities regulatory authority or regulator of the jurisdiction in which the head office of the reporting issuer is located; or

(b) a provision related to take-over bids listed in Appendix D is the securities regulatory authority or regulator of the jurisdiction in which the head office of the issuer whose securities are subject to the take-over bid is located.

4.4 Principal regulator – head office not in a specified jurisdiction

Subject to sections 4.4.1, 4.5 and 4.6, if the jurisdiction identified under section 4.2 or 4.3, as applicable, is not a specified jurisdiction, the principal regulator for the application is the securities regulatory authority or regulator of the specified jurisdiction with which:

(a) in the case of an application for an exemption from a provision related to insider reporting listed in Appendix D, the reporting issuer has the most significant connection;

(b) in the case of an application for an exemption related to a provision related to take-over bids listed in Appendix D, the issuer whose securities are subject to the take-over bid has the most significant connection; or

(c) in any other case, the person or company or, in the case of an investment fund, the investment fund manager, has the most significant connection.

4.4.1 Principal regulator for discretionary exemption application made with an application for registration

Subject to sections 4.5 and 4.6, if a firm or individual makes an application for exemption from a requirement listed below in connection with an application for registration in the principal jurisdiction, the principal regulator for the application for exemption is the principal regulator as determined under section 4A.1:

(a) a requirement in Parts 3 and 12 of NI 31-103;

(b) a requirement in Part 2 of NI 33-109.

4.5 Principal regulator – exemption not sought in principal jurisdiction

(1) Subject to section 4.6 and subsection (2), if a person or company is not seeking an exemption in the jurisdiction of the principal regulator, as determined under section 4.2, 4.3, 4.4 or 4.4.1, as applicable, the principal regulator for the application is the securities regulatory authority or regulator in the specified jurisdiction:

(a) in which the person or company is seeking the exemption; and

(b) with which:

(i) in the case of an application for an exemption from a provision related to insider reporting, the reporting issuer has the most significant connection;

(ii) in the case of an application for an exemption from a provision related to take-over bids, the issuer whose securities are subject to the take-over bid has the most significant connection; or

(iii) in any other case, the person or company, or in the case of an investment fund, the investment fund manager, has the most significant connection.

(2) Subject to section 4.6, if at any one time a person or company is seeking more than one exemption and not all of the exemptions are needed in the jurisdiction of the principal regulator, as determined under section 4.2, 4.3, 4.4 or 4.4.1 or subsection (1), as applicable, the person or company may make the application to the securities regulatory authority or regulator in the specified jurisdiction:

(a) in which the person or company is seeking all of the exemptions; and

(b) with which:

(i) in the case of an application for an exemption from a provision related to insider reporting, the reporting issuer has the most significant connection;

(ii) in the case of an application for exemption from a provision related to take-over bids, the issuer whose securities are subject to the take-over bid has the most significant connection; or

(iii) in any other case, the person or company, or in the case of an investment fund, the investment fund manager, has the most significant connection.

(3) If a person makes an application under subsection (2), the securities regulatory authority or regulator under that subsection is the principal regulator for the application.

4.6 Discretionary change of principal regulator for discretionary exemption applications

If a person or company receives written notice from a securities regulatory authority or regulator that specifies a principal regulator for the person or company's application, the securities regulatory authority or regulator specified in the notice is the principal regulator for the application.

4.7 Passport application of discretionary exemptions

(1) If an application is made in the principal jurisdiction for an exemption from a provision of securities legislation listed in Appendix D, the equivalent provision of the local jurisdiction does not apply if:

(a) the local jurisdiction is not the principal jurisdiction for the application;

(b) the principal regulator for the application granted the exemption and the exemption is in effect;

(c) the person or company that made the application gives notice to the securities regulatory authority or regulator that this subsection is intended to be relied upon for the equivalent provision of the local jurisdiction; and

(d) the person or company relying on the exemption complies with any terms, conditions, restrictions or requirements imposed by the principal regulator as if they were imposed in the local jurisdiction.

(2) For the purpose of paragraph (1)(c), the person or company may give the notice referred to in that paragraph by giving it to the principal regulator.

4.8 Availability of passport for discretionary exemptions applied for before March 17, 2008

(1) If, before March 17, 2008, an application was made in a specified jurisdiction for an exemption from a provision of securities legislation listed in Appendix D, the equivalent provision of the local jurisdiction does not apply if:

(a) the local jurisdiction is not the specified jurisdiction;

(b) the securities regulatory authority or regulator in the specified jurisdiction granted the exemption whether the order was made before, on or after March 17, 2008;

(c) subject to subsection (3), the person or company that made the application gives notice to the securities regulatory authority or regulator that this subsection is intended to be relied upon for the equivalent provision of the local jurisdiction; and

(d) the person or company relying on the exemption complies with any terms, conditions, restrictions or requirements imposed by the securities regulatory authority or regulator in the specified jurisdiction as if they were imposed in the local jurisdiction.

(2) For the purpose of paragraph (1)(c), the person or company may give the notice referred to in that paragraph by giving it to the securities regulatory authority or regulator that would be the principal regulator under Part 4 if an application were to be made under that Part at the time the notice is given.

(3) Paragraph (1)(c) does not apply to a reporting issuer in respect of an exemption from a CD requirement, as defined in Multilateral Instrument 11-101 *Principal Regulator System*, if, before March 17, 2008:

(a) the principal regulator, identified under that Instrument, granted the exemption; and

(b) the reporting issuer filed the notice of principal regulator under section 2.2 or 2.3 of that Instrument.

PART 4A REGISTRATION

4A.1 Principal regulator for registration

(1) Subject to subsections (2) and (3) and section 4A.2, for the purposes of this Part, the principal regulator is the securities regulatory authority or regulator of the jurisdiction in which:

(a) for a firm, the firm's head office is located; or

(b) for an individual, the individual's working office is located.

(2) The principal regulator for a foreign firm is the securities regulatory authority or regulator in the jurisdiction of Canada the firm identified:

(a) in item 2.2(b) of its most recently submitted Form 33-109F6; or

(b) in its most recently submitted Form 33-109F5, if the change noted in that form relates to item 2.2(b) of Form 33-109F6.

(3) The principal regulator for a foreign individual is the principal regulator for the individual's sponsoring firm.

4A.2 Discretionary change of principal regulator for registration

If a securities regulatory authority or regulator gives written notice that specifies a principal regulator for the firm or individual, the securities regulatory authority or regulator specified in the notice is the principal regulator for the firm or individual as of the later of:

(a) the date the firm or individual receives the notice; and

(b) the effective date specified in the notice, if any.

4A.3 Firm registration

(1) Subject to subsection (4), if a firm is registered in a category in its principal jurisdiction, the firm is registered in the same category in the local jurisdiction if:

(a) the firm has submitted a completed Form 33-109F6 in accordance with NI 33-109; and

(b) in the case of a category for which securities legislation requires that the firm be a member of a self-regulatory organization, the firm is a member of the self-regulatory organization or is exempt from the requirement.

(2) A firm that makes a submission under subsection (1)(a) must pay the required fee at the time it makes the submission.

(3) For the purpose of subsection (1), the firm may make the submission by giving it to the principal regulator.

(4) Subsection (1) does not apply to a firm registered in the category of restricted dealer.

4A.4 Individual registration

(1) If an individual acting on behalf of a sponsoring firm is registered in a category in his or her principal jurisdiction, the individual is registered in the same category in the local jurisdiction if:

(a) the sponsoring firm is registered in the local jurisdiction in the same category as in the firm's principal jurisdiction;

(b) the individual has submitted a completed Form 33-109F2 or a completed Form 33-109F4 in accordance with NI 33-109; and

(c) in the case of a category for which securities legislation requires that the individual be a member or an approved person of a self-regulatory organization, the individual is a member or approved person of the self-regulatory organization or is exempt from the requirement.

(2) An individual who makes a submission under subsection (1)(b) must pay the required fee at the time the individual makes the submission.

4A.5 Terms and conditions of registration

(1) If a firm or individual is registered in the same category in the principal jurisdiction and in the local jurisdiction, a term, condition, restriction or requirement imposed on the registration in the principal jurisdiction applies as if it were imposed in the local jurisdiction.

(2) A term, condition, restriction or requirement that applies in the local jurisdiction under subsection (1) continues to apply until the earlier of the date:

(a) the securities regulatory authority or regulator that imposed the term, condition, restriction or requirement cancels or revokes it; or

(b) the term, condition, restriction or requirement expires.

4A.6 Suspension

If a firm's or individual's registration in the principal jurisdiction is suspended, the firm's or individual's registration in the local jurisdiction is suspended.

4A.7 Termination

If a firm's or individual's registration in the principal jurisdiction is cancelled, revoked or terminated, as applicable, the firm's or individual's registration in the local jurisdiction is cancelled, revoked or terminated, as applicable.

4A.8 Surrender

If a firm or individual is registered in the same category in the local jurisdiction and the principal jurisdiction, and the firm or individual applies to surrender the registration in the principal jurisdiction, the firm's or individual's registration in that category in the local jurisdiction is cancelled, revoked or terminated, as applicable, if the principal regulator accepts the firm's or individual's surrender of registration in the principal jurisdiction.

4A.9 Transition – terms and conditions in non-principal jurisdictions

(1) Subject to subsection (2), section 4A.5 does not apply to a firm or individual until October 28, 2009 if the firm or individual was registered in the local jurisdiction before September 28, 2009.

(2) Section 4A.5 does not apply to a firm or individual after October 28, 2009 if:

(a) on or before October 28, 2009, the firm or individual applies to the securities regulatory authority or regulator for an exemption from section 4A.5; and

(b) the securities regulatory authority or regulator has not issued a decision rejecting the application and the application has not been withdrawn.

(3) Subject to subsection (4), if a firm or individual was registered in the same category in the principal jurisdiction and the local jurisdiction before September 28, 2009, a term, condition, restriction or requirement imposed on the registration in the local jurisdiction before October 28, 2009, if any, does not apply to the firm or individual on or after October 28, 2009 unless the term, condition, restriction or requirement was:

(a) agreed to under a settlement agreement between the firm or individual and the securities regulatory authority or regulator; or

(b) imposed in a decision relating to the firm or individual made by the securities regulatory authority or regulator following a hearing.

(4) If a firm or individual applies for an exemption under subsection (2), subsection (3) does not apply unless:

(a) the securities regulatory authority or regulator has issued a decision rejecting the application; or

(b) the application has been withdrawn.

4A.10 Notice of principal regulator for foreign firm

(1) If a foreign firm was registered in a category in the local jurisdiction and another jurisdiction of Canada before September 28, 2009, the firm must submit the information required in item 2.2(b) of Form 33-109F6 by submitting a Form 33-109F5 on or before October 28, 2009.

(2) For the purposes of subsection (1), the foreign firm may make the submission by giving it to the principal regulator

PART 5 EFFECTIVE DATE

5.1 Effective date

This Instrument comes into force on March 17, 2008.

APPENDIX A
Non-harmonized continuous disclosure provisions

Repealed. 2 Oct 2009 SR 81/2009 s16.

APPENDIX B
Prospectus provisions

Jurisdiction	*Securities Act* provisions
British Columbia	sections 61(1) (*Prospectus required*) and 62 (*Voluntary filing of prospectus*)
Alberta	section 110 (*Filing prospectus*)
Saskatchewan	section 58 (*Prospectus required*)
Manitoba	sections 37(1) (*Prohibition as to trading*) and 37(1.1) (*Voluntary filing of non-offering prospectus*)
Ontario	section 53 (*Prospectus required*)
Québec	sections 11 (*Prospectus required*), 12 (*Distribution outside Québec*), and 68 (para 2) (*Voluntary filing of prospectus*)
New Brunswick	section 71 (*Filing of preliminary prospectus and prospectus required and voluntary filing of prospectus*)
Nova Scotia	sections 58(1) (*Prospectus required*) and 58(2) (*Prospectus to enable issuer to become a reporting issuer where no distribution is contemplated*)
Prince Edward Island	sections 94 (*Prospectus required*) and 95 (*Filing prospectus without distribution*)
Newfoundland and Labrador	sections 54.(1) (*Prospectus required*) and 54.(2) (*Prospectus to enable issuer to become a reporting issuer where no distribution is contemplated*)
Yukon	sections 94 (*Prospectus required*) and 95 (*Filing prospectus without distribution*)
Northwest Territories	sections 94 (*Prospectus required*) and 95 (*Filing prospectus without distribution*)
Nunavut	sections 94 (*Prospectus required*) and 95 (*Filing prospectus without distribution*)

APPENDIX C
Non-harmonized prospectus provisions

Repealed. 2 Oct 2009 SR 81/2009 s16.

4 Apr 2008 SR 18/2008 s9; 2 Oct 2009 SR 81/2009 s16.

APPENDIX D
Equivalent provisions

All references are to provisions of the *Securities Act* of the relevant jurisdiction unless otherwise noted. All references to "NI" are to "National Instruments". All references to "MI" are to "Multilateral Instruments".

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
SEDAR	NI 13-101												
Marketplace operation	NI 21-101 (only Parts 6, 7 - 11, as they apply to an ATS, and 13)												
Trading rules	NI 23-101 (only Parts 4 and 8 - 11)												
Use of client brokerage commissions	NI 23-102												
Institutional trade matching and settlement	NI 24-101												
National registration database (NRD)	NI 31-102												
Registration requirements	NI 31-103 (except as noted below)												
Dealing representative category	s.2.1(1)(a) of NI 31-103												s.25(1)(b)
Advising representative category	s.2.1(1)(b) of NI 31-103												s.25(3)(b)
Associate advising representative category	s.2.1(1)(c) of NI 31-103												s.25(3)(c)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Ultimate designated person registration	s.2.1(1)(d) of NI 31-103	ss.75(2) (c) and 75.1 of *Securities Act* and s.2.1(1) (d) of NI 31-103	s.27(3) of *Securities Act* and s.2.1(1)(d) of NI 31-103		Paragraph 2 of s.149 of *Securities Act* and s.2.1(1) (d) of NI 31-103	s.2.1(1)(d) of NI 31-103		s.87 of *Securities Act* and s.2(1) (d) of NI 31-103	ss.26(2)(c) and 26.1 of *Securities Act* and s.2.1(1)(d) of NI 31-103	s.87 of *Securities Act* and s.2(1) (d) of NI 31-103	s.87 of *Securities Act* and s.2(1)(d) of NI 31-103	s.87 of *Securities Act* and s.2(1)(d) of NI 31-103	s.25(5)
Chief compliance officer registration	s.2.1(1)(e) of NI 31-103	ss.75(2) (c) and 75.1 of *Securities Act* and s.2.1(1) (e) of NI 31-103	s.27(3) of *Securities Act* and s.2.1(1)(e) of NI 31-103		Paragraph 2 of s.149 of *Securities Act* and s.2.1(1) (e) of NI 31-103	s.2.1(1)(e) of NI 31-103		s.87 of *Securities Act* and s.2.1(1) (e) of NI 31-103	ss.26(2)(c) and 26.1 of *Securities Act* and s.2.1(1)(e) of NI 31-103	s.87 of *Securities Act* and s.2.1 (1)(e) of NI 31-103	s.87 of *Securities Act* and s.2.1(1)(e) of NI 31-103	s.87 of *Securities Act* and s.2.1(1) (e) of NI 31-103	s.25(6)
Dealing representative of a mutual fund must be approved person	s.3.15(2) of NI 31-103				n/a	s.3.15(2) of NI 31-103							
Employment, partnership or agency relationship ends	s.6.1 of NI 31-103												s.29(3)
Suspension of IIROC approval for individual	s.6.2 of NI 31-103												s.29(1), paragraph 3
Suspension of MFDA approval for individual	s.6.3 of NI 31-103				n/a	s.6.3 of NI 31-103							s.29(1), paragraph 3

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Sponsoring firm suspended	s.6.4 of NI 31-103												s.29(2)
Revocation of a suspended registration - individual	s.6.6 of NI 31-103												s.29(5)
Exception for individuals involved in a hearing	s.6.7 of NI 31-103												s.29(6)
Dealer and underwriter categories	s.7.1(1) of NI 31-103												s.26(2)
Adviser categories	s.7.2(1) of NI 31-103												s.26(6)
Investment fund manager category	s.7.3 of NI 31-103												s.25(4)
MFDA membership for mutual fund dealers	s.9.2 of NI 31-103				n/a	s.9.2 of NI 31-103							
Suspension or revocation of IIROC membership	s.10.2 of NI 31-103												s.29(1) paragraph 2
Suspension of MFDA firm membership	s.10.3 of NI 31-103				n/a	s.10.3 of NI 31-103							s.29(1), paragraph 2

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Revocation of a suspended registration - firm	s.10.5 of NI 31-103												s.29(5)
Exception for firms involved in a hearing	s.10.6 of NI 31-103												s.29(6)
Provide records to regulator	s.11.6(1)(c) of NI 31-103												s.19(3)
Insurance - scholarship plan dealer only	s.12.3 of NI 31-103				n/a	s.12.3 of NI 31-103							
Complaint handling	s.13.15 of NI 31-103				s.168.1.1 of *Securities Act* and s.13.15 of NI 31-103	s.13.15 of NI 31-103							
Dispute resolution service	s.13.16 of NI 31-103				s.168.1.3 of *Securities Act* and s.13.16 of NI 31-103	s.13.16 of NI 31-103							
Underwriting conflicts	NI 33-105												
Registrant information	NI 33-109												

Prospectus disclosure requirements	NI 41-101 (except as noted below)												
Provision	**British Columbia**	**Alberta**	**Saskatchewan**	**Manitoba**	**Québec**	**Nova Scotia**	**New Brunswick**	**Prince Edward Island**	**Newfoundland and Labrador**	**Yukon**	**Northwest Territories**	**Nunavut**	**Ontario**
Certificate of issuer	s.5.3(1) of NI 41-101												s.58
Certificate of corporate issuer	s.5.4(1) of NI 41-101												s.58
Certificate of issuer involved in reverse takeover	s.5.8 of NI 41-101												n/a
Certificate of underwriter	s.5.9(1) of NI 41-101												s.59(1)
Certificate of promoter	s.5.11(1) of NI 41-101												s.58
Delivery of amendments	s.6.4 of NI 41-101												s.57(3)
Amendment to a preliminary prospectus	s.6.5(1) of NI 41-101												s.57(1)
Amendment to a final prospectus	s.6.6(1) of NI 41-101												s.57(1)
Amendment to a final prospectus	s.6.6(2) of NI 41-101												s.57(2)
Regulator must issue receipt	s.6.6(3) of NI 41-101												s.57(2.1)

Regulator must not refuse a receipt	s.6.6(4) of NI 41-101	ss.57(2.1) and 61(3)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Prohibition against distribution	s.6.6(5) of NI 41-101												s.57(2.2)
Distribution of preliminary prospectus and distribution list	s.16.1 of NI 41-101												ss.66 and 67
Lapse date	s.17.2 of NI 41-101												s.62
Statement of rights	s.18.1 of NI 41-101												s.60
Disclosure standards for mineral projects	NI 43-101												
Short form prospectus distribution requirements	NI 44-101												
Shelf prospectus requirements	NI 44-102												
Post receipt pricing	NI 44-103												
Rights offering requirements	NI 45-101												
Resale of securities	NI 45-102												

Standards of disclosure for oil and gas activities	NI 51-101

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Continuous disclosure obligations	NI 51-102 (except as noted below)												
Publication of material change	s.7.1 of NI 51-102												s.75 of Securities Act and s.3(1.1) of Regulation 1015 (General)
Accounting principles and auditing standards requirements	NI 52-107 (except as noted below)												
Acceptable accounting principles	s.3.2 of NI 52-107												s.3.2 of NI 52-107
Auditor oversight	NI 52-108												
Certification of disclosure in annual and interim filings	NI 52-109												
Audit committees	NI 52-110												

Communication with beneficial owners	NI 54-101											

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
System for electronic disclosure by insiders (SEDI)	NI 55-102												
Insider reporting requirements	NI 55-104 (except as noted below)												NI 55-104 (except as noted below)
Primary insider reporting requirement	Part 3 of NI 55-104												s.107
Disclosure of corporate governance practices	NI 58-101												
Protection of minority security holders in special transactions	n/a				MI 61-101				n/a				MI 61-101
Early warning reports and other take-over bid and insider reporting requirements	NI 62-103												

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Take-over bids and issuer bid requirements (TOB/IB) - Restrictions on acquisitions during take-over bid	s.2.2(1) of MI 62-104												s.93.1(1)
TOB/IB - Restrictions on acquisitions during issuer bid	s.2.3(1) of MI 62-104												s.93.1(4)
TOB/IB - Restrictions on acquisitions before take-over bid	s.2.4(1) of MI 62-104												s.93.2(1)
TOB/IB - Restrictions on acquisitions after bid	s.2.5 of MI 62-104												s.93.3(1)
TOB/IB - Restrictions on sales during formal bid	s.2.7(1) of MI 62-104												s.97.3(1)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Duty to make bid to all security holders	s.2.8 of MI 62-104												s.94
TOB/IB - Commencement of bid	s.2.9 of MI 62-104												s.94.1(1) and (2)
TOB/IB - Offeror's circular	s.2.10 of MI 62-104												s.94.2(1) - (4) of *Securities Act* and s.3.1 of OSC Rule 62-504
TOB/IB - Change in information	s.2.11(1) of MI 62-104												s.94.3(1)
TOB/IB - Notice of change	s.2.11(4) of MI 62-104												s.94.3(4) of *Securities Act* and s.3.4 of OSC Rule 62-504
TOB/IB - Variation of terms	s.2.12(1) of MI 62-104												s.94.4(1)
TOB/IB - Notice of variation	s.2.12(2) of MI 62-104												s.94.4(2) of *Securities Act* and s.3.4 of OSC Rule 62-504

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Expiry date of bid if notice of variation	s.2.12(3) of MI 62-104												s.94.4(3)
TOB/IB - No variation after expiry	s.2.12(5) of MI 62-104												s.94.4(5)
TOB/IB - Filing and sending notice of change or notice of variation	s.2.13 of MI 62-104												s.94.5
TOB/IB - Change or variation in advertised take-over bid	s.2.14(1) of MI 62-104												s.94.6(1)
TOB/IB - Consent of expert - bid circular	s.2.15(2) of MI 62-104												s.94.7(1)
TOB/IB - Delivery and date of bid documents	s.2.16(1) of MI 62-104												s.94.8(1)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Duty to prepare and send directors' circular	s.2.17 of MI 62-104												s.95(1) - (4) of *Securities Act* and s.3.2 of OSC Rule 62-504
TOB/IB - Notice of change	s.2.18 of MI 62-104												s.95.1(1) and (2) of *Securities Act* and s.3.4 of OSC Rule 62-504
TOB/IB - Filing directors' circular or notice of change	s.2.19 of MI 62-104												s.95.2
TOB/IB - Change in information in director's or officer's circular or notice of change	s.2.20(2) of MI 62-104												s.96(2)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Form of director's or officer's circular	s.2.20(3) of M162-104												s.96(3) of *Securities Act* and s.3.3 of OSC Rule 62-504
TOB/IB - Send director's or officer's circular or notice of change to security-holders	s.2.20(5) of M162-104												s.96(5)
TOB/IB - File and send to offeror director's or officer's circular or notice of change	s.2.20(6) of M162-104												s.96(6)
TOB/IB - Form of notice of change for director's or officer's circular	s.2.20(7) of M162-104												s.96(7) of *Securities Act* and s.3.4 of OSC Rule 62-504

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Consent of expert, directors' circular, etc.	s.2.21 of MI 62-104												s.96.1
TOB/IB - Delivery and date of offeree issuer's documents	s.2.22(1) of MI 62-104												s.96.2(1)
TOB/IB - Consideration	s.2.23(1) of MI 62-104												s.97(1)
TOB/IB - Variation of consideration	s.2.23(3) of MI 62-104												s.97(3)
TOB/IB - Prohibition against collateral agreements	s.2.24 of MI 62-104												s.97.1(1)
TOB/IB - Proportionate take up and payment	s.2.26(1) of MI 62-104												s.97.2(1)
TOB/IB - Financing arrangements	s.2.27(1) of MI 62-104												s.97.3(1)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Minimum deposit period						s.2.28 of MI 62-104							s.98(1)
TOB/IB - Prohibition on take up						s.2.29 of MI 62-104							s.98(2)
TOB/IB - Obligation to take up and pay for deposited securities						s.2.32 of MI 62-104							s.98.3
TOB/IB - Return of deposited securities						s.2.33 of MI 62-104							s.98.5
TOB/IB - News release on expiry of bid						s.2.34 of MI 62-104							s.98.6
TOB/IB - Language of bid documents						s.3.1 of MI 62-104							n/a
TOB/IB - Filing of documents by offeror						s.3.2(1) of MI 62-104							s.98.7 of *Securities Act* and s.5.1(1) of OSC Rule 62-504

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Filing of documents by offeree issuer	s.3.2(2) of MI 62-104												s.5.1(2) of OSC Rule 62-504
TOB/IB - Time period for filing	s.3.2(3) of MI 62-104												s.5.1(3) of OSC Rule 62-504
TOB/IB - Filing of subsequent agreement	s.3.2(4) of MI 62-104												s.5.1(4) of OSC Rule 62-504
TOB/IB - Certification of bid circulars	s.3.3(1) of MI 62-104												s.99(1)
TOB/IB - All directors and officers sign	s.3.3(2) of MI 62-104												s.99(2)
TOB/IB - Certification of directors' circular	s.3.3(3) of MI 62-104												s.99(3)
TOB/IB - Certification of individual director's or officer's circular	s.3.3(4) of MI 62-104												s.99(4)

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
TOB/IB - Obligation to provide security holder list	s.3.4(1) of MI 62-104												s.99.1(1)
TOB/IB - Application of *Canada Business Corporations Act*	s.3.4(2) of MI 62-104												s.99.1(2)
TOB/IB - Early Warning	s.5.2 of MI 62-104												s.102.1(1) - (4) of *Securities Act* and s.7.1 of OSC Rule 62-504
TOB/IB - Acquisitions during bid	s.5.3 of MI 62-104												s.102.2(1) and (2) of *Securities Act* and s.7.2(1) of OSC Rule 62-504
TOB/IB - Copies of news release and report	s.5.5 of MI 62-104												s.7.2(3) of OSC Rule 62-504

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Multi-jurisdictional disclosure system	NI 71-101												
Mutual fund prospectus disclosure	NI 81-101 (except as noted below)												
Amendment to a preliminary simplified prospectus	s.2.2.1(1) of NI 81-101												s.57(1)
Delivery of amendments	s.2.2.2 of NI 81-101												s.57(3)
Amendment to a simplified prospectus	s.2.2.3(1) NI 81-101												s.57(1)
Amendment to a simplified prospectus	s.2.2.3(2) of NI 81-101												s.57(2)
Regulator must issue receipt	s.2.2.3(3) of NI 81-101												s.57(2.1)
Regulator must not refuse a receipt	s.2.2.3(4) of NI 81-101												ss.57(2.1) and 61(3)
Lapse date	s.2.5 of NI 81-101												s.62
Statement of rights	s.2.8 of NI 81-101												s.60

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Distribution of preliminary simplified prospectus and distribution list	s.3.2(3) of NI 81-101												ss.66 and 67
Certificate of mutual fund	s.5.1.3(1) of NI 81-101												s.58
Certificate of promoter	s.5.1.6(1) of NI 81-101												s.58
Certificate of corporate mutual fund	s.5.1.7(1) of NI 81-101												s.58
Mutual fund requirements	NI 81-102												
Commodity pools	NI 81-104												
Mutual fund sales practices	NI 81-105												
Investment fund continuous disclosure	NI 81-106												
Independent review committee	NI 81-107												

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Registration													
Dealer/ underwriter registration requirement	ss.34(1)(a) and 34(1)(d)	ss. 75(1)(a) and 75(2)(a)	s.27(2)(a)	ss.6(1)(a) and 6(1)(d)	ss.148 and 149	ss. 31(1) and 31(4)	ss.45(a) and 45(d)	ss. 86(1)(a) and 86(2)	s.26(1)(a)	ss. 86(1) (a) and 86(2)	ss.86(1)(a) and 86(2)	ss.86(1) (a) and 86(2)	ss.25(1) and (2)
Adviser registration requirement	s.34(1)(b)	ss. 75(1)(b) and 75(2)(b)	s.27(2)(b)	ss.6(1)(b)	ss. 148 and 149	ss. 31(2) and 31 (4)	s.45(b)	s.86(1) (b)	s.26(1)(b)	s.86(1) (b)	s.86(1)(b)	s.86(1)(b)	s.25(3)
Investment fund manager registration requirement	s.34(1)(c)	s.75(1) (c)	s.27(2)(c)	s.6(1)(c)	s.148	ss. 31(3) and 31(4)	s.45(c)	s.86(3)	s.26(1)(c)	s.86(3)	s.86(3)	s.86(3)	s.25(4)
Compensation or contingency trust fund	s.23 of Securities Rules	s.28 of ASC Rules (General)	s.23 of Regulations	n/a	s.196 of Securities Regulations	s.27 of General Securities Rules	n/a		s.98 of Regulation	n/a			s.110 of Regulation 1015 (General)
Requirements when using registration exemptions													
Offering memorandum in required form	s.3.9(5) of NI 45-106												n/a
Requirement to file offering memorandum within prescribed time	s.3.9(14) of NI 45-106												n/a

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Trading in Securities Generally													
Registered dealer acting as principal	s.51	n/a	n/a	s.70	n/a	n/a	n/a		s.40	n/a			s.39
Disclosure of investor relations activities	s.52	n/a					s.62	n/a					
Use of name of another registrant	s.53	s.99	s.49	s.73	n/a	s.49	s.63	n/a	s.44	n/a			s.43
Trading in Exchange Contracts													
Trading exchange contracts on an exchange in jurisdiction	s.58	s.106 & 107	s.40	n/a			s.70.1		n/a				
Trading exchange contracts on an exchange outside jurisdiction	s.59	s.108 & 109	s.41	n/a			s.70.2		n/a				

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Prospectus													
Prospectus requirement	s.61	s.110	s.58	s.37	ss.11 and 12	s.58	s.71(1)	s.94	s.54	s.94	s.94	s.94	s.53
Contents of prospectus (full, true & plain disclosure)	s.63	s.113	s.61	s.41	ss.13 and 20	s.61	s.74	s.99	s.57	s.99	s.99	s.99	s.56
Waiting period communications	s.78	s.123	s.73	s.38	ss.21 & 22	s.70	s.82	s.97	s.66	s.97	s.97	s.97	s.65(2)
Obligation to send prospectus	s.83	s.129	s.79	s.64	ss.29, 30, 31 and 32	s.76	s.88	s.101(1)	s.72	s.101 (1)	s.101(1)	s.101(1)	s.71(1)
Requirements when using prospectus exemptions													
Offering memorandum in required form	s.2.9(5) of NI 45-106												n/a
Requirement to file offering memorandum within prescribed time	s.2.9(14) of NI 45-106												n/a
Filing report of exempt distribution	ss.6.1 and 6.3 of NI 45-106	s.129.1 of ASC Rules (General) and ss.6.1 and 6.3 of NI 45-106	ss.6.1 and 6.3 of NI 45-106	s.7 of Regulation and ss.6.1 and 6.3 of NI 45-106	ss.6.1 and 6.3 of NI 45-106								

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Continuous Disclosure													
Voting if proxies provided	s.118	s.157	s.96	s.105	n/a	s.93	ss.102 and 103(2)	n/a	s.88	n/a			s.87
Shares in name of registrant not to be voted	s.182 of Securities Rules	s.104	s.55	s.79	ss.164 and 165	s.55	s.103(3) - (7)	s.163	s.50	s.163	s.163	s.163	s.49
Insider Reporting													

Provision	BC	AB	SK	MB	Que	NS	NB	PEI	NL	YK	NWT	Nun	ON
Insider reporting require-ments	s. 87	s.182	s.116	s.109	s. 89.3	s.113	s.135	s.1 of Local Rule 55-501	s. 108	s.1 of Local Rule 55-501	s.2 of Local Rule 55-501	s.1 of Local Rule 55-501	s. 107

Take-Over Bids and Issuer Bids													
Directors must make recommend-ation on bid	s.99(1)	s.160	s.100	s.90	ss.113 & 114	s.97	s.124	s.108(1)	s.92	s.108 (1)	s.108(1)	s.108(1)	ss.95 and 96
Investment Funds - Self Dealing													
Investments of mutual funds	s.121	s.185	s.120	n/a		s.119	s.137	n/a	s.112		n/a		s.111
Indirect investment	s.122	s.186	s.121	n/a		s.120	s.138	n/a	s.113		n/a		s.112
Fees on investment for mutual fund	s.124	s.189	s.124	n/a		s.123	s.141	n/a	s.116		n/a		s.115

Provision	British Columbia	Alberta	Saskatchewan	Manitoba	Québec	Nova Scotia	New Brunswick	Prince Edward Island	Newfoundland and Labrador	Yukon	Northwest Territories	Nunavut	Ontario
Report of mutual fund manager	s.126	s.191	s.126	n/a		s.125	s.143	n/a	s.118	n/a			s.117
Restrictions on transactions with responsible persons	n/a					s.126	n/a		s.119		n/a		
Principal Trading Prohibitions	n/a	s.193	s.128	n/a		s.127	n/a		s.120		n/a		s.119
General													
Public inspection of records	s.169(3)	s.221(3)	s.152(2)	s.134	n/a	s148 (1)	s.198(3)	s.26(1)	s.140(1)	s.26(1)	s.26(1)	s.26(1)	s.140(1)

19 Mar 2010 SR 11/2010 s8; 8 Jly 2011 SR 41/2011 s23.

PART XLVIII.1
[*Clause 2(vv.1)*]

NATIONAL INSTRUMENT 55-104
INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and interpretation

(1) In this Instrument:

"acceptable summary form" means, in relation to the alternative form of insider report described in sections 5.4 and 6.4, an insider report that discloses as a single transaction, with December 31 of the relevant year as the date of the transaction, using an average unit price of the securities:

(a) the total number of securities of the same type acquired under an automatic securities purchase plan or compensation arrangement, or under all such plans or arrangements, for the calendar year; and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities under an automatic securities purchase plan or compensation arrangement, or under all such plans or arrangements, for the calendar year;

"automatic securities purchase plan" means a dividend or interest reinvestment plan, a stock dividend plan, or any other plan established by an issuer or by a subsidiary of an issuer to facilitate the acquisition of securities of the issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or officer of the issuer or of the subsidiary of the issuer, and the price payable for the securities are established in advance by written formula or criteria set out in a plan document and not subject to a subsequent exercise of discretion;

"cash payment option" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the plan, securities of the issuer's own issue;

"CEO" means a chief executive officer and any other individual who acts as chief executive officer for an issuer or acts in a similar capacity for the issuer;

"CFO" means a chief financial officer and any other individual who acts as chief financial officer for an issuer or acts in a similar capacity for the issuer;

"compensation arrangement" includes, but is not limited to, an arrangement, whether or not set out in any formal document and whether or not applicable to only one individual, under which cash, securities or related financial instruments, including, for greater certainty, options, stock appreciation rights, phantom shares, restricted shares or restricted share units, deferred share units, performance units or performance shares, stock, stock dividends, warrants, convertible securities, or similar instruments, may be received or purchased as compensation for services rendered, or otherwise in connection with holding an office or employment with a reporting issuer or a subsidiary of a reporting issuer;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of the same issuer;

"COO" means a chief operating officer and any other individual who acts as chief operating officer for an issuer or acts in a similar capacity for the issuer;

"credit derivative" means a derivative in respect of which the underlying security, interest, benchmark or formula is, or is related to or derived from, in whole or in part, a debt or other financial obligation of an issuer;

"derivative":

(a) means, other than in New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec and the Yukon Territory, an instrument, agreement, security or exchange contract, the market price, value or payment obligations of which is derived from, referenced to, or based on an underlying security, interest, benchmark or formula;

(b) in New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island and the Yukon Territory, has the same meaning as in securities legislation; and

(c) in Québec, has the same meaning as in *The Derivatives Act*;

"dividend or interest reinvestment plan" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer's own issue;

"economic exposure" in relation to an issuer:

(a) means, other than in Ontario, the extent to which the economic or financial interests of a person or company are aligned with the trading price of securities of the issuer or the economic or financial interests of the issuer;

(b) in Ontario, has the same meaning as in securities legislation;

"economic interest" in a security or an exchange contract:

(a) means, other than in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory:

(i) a right to receive or the opportunity to participate in a reward, benefit or return from a security or an exchange contract; or

(ii) exposure to a risk of a financial loss in respect of a security or an exchange contract;

(b) in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory, has the same meaning as in securities legislation;

"exchange contract":

(a) means, other than in Alberta, British Columbia, New Brunswick and Saskatchewan, a futures contract or an option that meets both of the following requirements:

(i) its performance is guaranteed by a clearing agency; and

(ii) it is traded on an exchange pursuant to standardized terms and conditions set out in that exchange's by-laws, rules or regulatory instruments, at a price agreed on when the futures contract or option is entered into on the exchange;

(b) in Alberta, British Columbia, New Brunswick and Saskatchewan, has the same meaning as in securities legislation;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of another issuer;

"income trust" means a trust or an entity, including corporate and non-corporate entities, the securities of which entitle the holder to net cash flows generated by an underlying business or income-producing properties owned through the trust or by the entity;

"insider report" means a report to be filed by an insider under securities legislation;

"insider reporting requirement" means:

(a) a requirement to file insider reports under Parts 3 and 4;

(b) a requirement to file insider reports under any provisions of Canadian securities legislation substantially similar to Parts 3 and 4; and

(c) a requirement to file an insider profile under NI 55-102;

"investment issuer" means, in relation to an issuer, another issuer in respect of which the issuer is an insider;

"issuer event" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

"lump-sum provision" means a provision of an automatic securities purchase plan that allows a director or officer to acquire securities in consideration of an additional lump-sum payment, and includes a cash payment option;

"major subsidiary" means a subsidiary of an issuer if:

(a) the assets of the subsidiary, as included in the issuer's most recent annual audited or interim balance sheet, or, for a period relating to a financial year beginning on or after January 1, 2011, a statement of financial position, are 30 per cent or more of the consolidated assets of the issuer reported on that balance sheet or statement of financial position, as the case may be; or

(b) the revenue of the subsidiary, as included in the issuer's most recent annual audited or interim income statement, or, for a period relating to a financial year beginning on or after January 1, 2011, a statement of comprehensive income, is 30 per cent or more of the consolidated revenue of the issuer reported on that statement;

"management company" means a person or company established or contracted to provide significant management or administrative services to an issuer or a subsidiary of the issuer;

"NI 55-102" means National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*;

"normal course issuer bid" means:

(a) an issuer bid that is made in reliance on the exemption, contained in securities legislation from requirements relating to issuer bids, that is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 per cent of the securities of that class issued and outstanding at the commencement of the period; or

(b) a normal course issuer bid as defined in the rules or policies of the Toronto Stock Exchange, the TSX Venture Exchange or an exchange that is a recognized exchange, as defined in National Instrument 21-101 *Marketplace Operation*, and that is conducted in accordance with the rules or policies of that exchange;

"operating entity" means a person or company with an underlying business or with assets owned in whole or in part by an income trust for the purposes of generating cash flow;

"principal operating entity" means an operating entity that is a major subsidiary of an income trust;

"related financial instrument":

(a) means, other than in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory:

(i) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security; or

(ii) any other instrument, agreement, or understanding that affects, directly or indirectly, a person or company's economic interest in a security or an exchange contract;

(b) in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory, has the same meaning as in securities legislation;

"reporting insider" means an insider of a reporting issuer if the insider is:

(a) the CEO, CFO or COO of the reporting issuer, of a significant shareholder of the reporting issuer or of a major subsidiary of the reporting issuer;

(b) a director of the reporting issuer, of a significant shareholder of the reporting issuer or of a major subsidiary of the reporting issuer;

(c) a person or company responsible for a principal business unit, division or function of the reporting issuer;

(d) a significant shareholder of the reporting issuer;

(e) a significant shareholder based on post-conversion beneficial ownership of the reporting issuer's securities and the CEO, CFO, COO and every director of the significant shareholder based on post-conversion beneficial ownership;

(f) a management company that provides significant management or administrative services to the reporting issuer or a major subsidiary of the reporting issuer, every director of the management company, every CEO, CFO and COO of the management company, and every significant shareholder of the management company;

(g) an individual performing functions similar to the functions performed by any of the insiders described in paragraphs (a) to (f);

(h) the reporting issuer itself, if it has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security; or

(i) any other insider that:

(i) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(ii) directly or indirectly exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of the reporting issuer;

"significant shareholder" means a person or company that has beneficial ownership of, or control or direction over, whether direct or indirect, or a combination of beneficial ownership of, and control or direction over, whether direct or indirect, securities of an issuer carrying more than 10 per cent of the voting rights attached to all the issuer's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person or company as underwriter in the course of a distribution;

"stock dividend plan" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings, retained earnings or capital; and

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security.

(2) **Affiliate** – In this Instrument, an issuer is an affiliate of another issuer if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person or company.

(3) **Control** – In this Instrument, a person or company (first person or company) is considered to control another person or company (second person or company) if:

(a) the first person or company beneficially owns or has control or direction over, whether direct or indirect, securities of the second person or company carrying votes which, if exercised, would entitle the first person or company to elect a majority of the directors of the second person or company, unless that first person or company holds the voting securities only to secure an obligation;

(b) the second person or company is a partnership, other than a limited partnership, and the first person or company holds more than 50 per cent of the interests of the partnership; or

(c) the second person or company is a limited partnership and the general partner of the limited partnership is the first person or company.

(4) **Post-conversion beneficial ownership** – In this Instrument, a person or company is considered to have, as of a given date, post-conversion beneficial ownership of a security, including an unissued security, if the person or company is the beneficial owner of a security convertible into the security within 60 days following that date or has a right or obligation permitting or requiring the person or company, whether or not on conditions, to acquire beneficial ownership of the security within 60 days, by a single transaction or a series of linked transactions.

(5) **Significant shareholder based on post-conversion beneficial ownership** – In this Instrument, a person or company is a significant shareholder based on post-conversion beneficial ownership if the person or company is not a significant shareholder but the person or company has beneficial ownership of, post-conversion beneficial ownership of, control or direction over, whether direct or indirect, or any combination of beneficial ownership of, post-conversion beneficial ownership of, or control or direction over, whether direct or indirect, securities of an issuer carrying more than 10 per cent of the voting rights attached to all the issuer's outstanding voting securities, calculated in accordance with subsections (6) and (7).

(6) For the purposes of the calculation in subsection (5), an issuer's outstanding voting securities include securities in respect of which a person or company has post-conversion beneficial ownership.

(7) For the purposes of the calculation in subsections (4) and (5), a person or company may exclude any securities held by the person or company as underwriter in the course of a distribution.

1.2 Persons and companies designated or determined to be insiders for the purposes of this Instrument

(1) The following persons and companies are designated or determined to be insiders of an issuer:

(a) a significant shareholder of the issuer based on post-conversion beneficial ownership of the issuer's securities;

(b) a management company that provides significant management or administrative services to the issuer or a major subsidiary of the issuer, and every director, officer and significant shareholder of the management company; and

(c) if the issuer is an income trust, every director, officer and significant shareholder of a principal operating entity of the issuer.

(2) **Issuer as insider of reporting issuer** – If an issuer (the first issuer) becomes an insider of a reporting issuer (the second issuer), the CEO, CFO, COO and every director of the first issuer are designated or determined to be an insider of the second issuer and must file insider reports in accordance with section 3.5 in respect of transactions relating to the second issuer that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the first issuer.

(3) **Reporting issuer as insider of other issuer** – If a reporting issuer (the first issuer) becomes an insider of another issuer (the second issuer), the CEO, CFO, COO and every director of the second issuer is designated or determined to be an insider of the first issuer and must file insider reports in accordance with section 3.5 in respect of transactions relating to the first issuer that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the second issuer.

1.3 Reliance on Reported Outstanding Shares

(1) In determining the securityholding percentage of a person or company in a class of securities for the purposes of the definition 'significant shareholder' and in determining if the person or company is a significant shareholder based on post-conversion beneficial ownership, the person or company may rely upon information most recently filed by the issuer of the securities in a material change report or under section 5.4 of National Instrument 51-102 *Continuous Disclosure Obligations*, whichever contains the most recent relevant information.

(2) Subsection (1) does not apply if the person or company has knowledge both:

(a) that the information filed is inaccurate or has changed; and

(b) of the correct information.

PART 2 APPLICATION

2.1 Insider reporting requirements (insiders of Ontario reporting issuers) – In Ontario, the insider reporting requirements in sections 3.2 and 3.3 do not apply to an insider of a reporting issuer under the *Securities Act* (Ontario).

Note: In Ontario, requirements similar to the insider reporting requirements in sections 3.2 and 3.3 of this Instrument are contained in section 107 of the *Securities Act* (Ontario).

2.2 Reporting deadline – In Ontario, for the purposes of subsection 107(2) of the *Securities Act* (Ontario), in the case of a transaction occurring after October 31, 2010, the prescribed period is within five days of any change in the beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer or any interest in, or right or obligation associated with, a related financial instrument.

PART 3 PRIMARY INSIDER REPORTING REQUIREMENT

3.1 Reporting requirement – An insider must file insider reports under this Part and Part 4 in respect of a reporting issuer if the insider is a reporting insider of the reporting issuer.

3.2 Initial report – A reporting insider must file an insider report in respect of a reporting issuer, within 10 days of becoming a reporting insider, disclosing the reporting insider's:

(a) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer; and

(b) interest in, or right or obligation associated with, a related financial instrument involving a security of the reporting issuer.

3.3 Subsequent report – A reporting insider must within five days of any of the following changes file an insider report in respect of a reporting issuer disclosing a change in the reporting insider's:

(a) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer; or

(b) interest in, or right or obligation associated with, a related financial instrument involving a security of the reporting issuer.

3.4 Reporting requirements in connection with convertible or exchangeable securities – For greater certainty, a reporting insider who exercises an option, warrant or other convertible or exchangeable security must file, within five days of the exercise, separate insider reports in accordance with section 3.3 disclosing the resulting change in the reporting insider's beneficial ownership of, or control or direction over, whether direct or indirect, each of:

(a) the option, warrant or other convertible or exchangeable security; and

(b) the common shares or other underlying securities.

3.5 Report by certain designated insiders for certain historical transactions – A CEO, CFO, COO or director of an issuer (the first issuer) who is designated or determined to be an insider of another issuer (the second issuer) under subsection 1.2(2) or 1.2(3) must file, within 10 days of being designated or determined to be an insider of the second issuer, the insider reports that a reporting insider of the second issuer would have been required to file under Part 3 and Part 4 for all transactions involving securities of the second issuer or related financial instruments involving securities of the second issuer, that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the first issuer.

PART 4 SUPPLEMENTAL INSIDER REPORTING REQUIREMENT

4.1 Other agreements, arrangements or understandings

(1) If a reporting insider of a reporting issuer enters into, materially amends, or terminates an agreement, arrangement or understanding described in subsection (2), the reporting insider must, within five days of this event, file an insider report in respect of the reporting issuer in accordance with section 4.3.

(2) An agreement, arrangement or understanding must be reported under subsection (1) in an insider report in respect of a reporting issuer if:

(a) the agreement, arrangement or understanding has the effect of altering, directly or indirectly, the reporting insider's economic exposure to the reporting issuer;

(b) the agreement, arrangement or understanding involves, directly or indirectly, a security of the reporting issuer or a related financial instrument involving a security of the reporting issuer; and

(c) the reporting insider is not otherwise required to file an insider report in respect of this event under Part 3 or any corresponding provision of Canadian securities legislation.

4.2 Report of prior agreements, arrangements or understandings – A reporting insider must, within 10 days of becoming a reporting insider of a reporting issuer, file an insider report in accordance with section 4.3 in respect of the reporting issuer if:

(a) the reporting insider, prior to the date the reporting insider most recently became a reporting insider, entered into an agreement, arrangement or understanding in respect of which the reporting insider would have been required to file an insider report under section 4.1 if the agreement, arrangement or understanding had been entered into on or after the date the reporting insider most recently became a reporting insider; and

(b) the agreement, arrangement or understanding remains in effect on or after the date the reporting insider most recently became a reporting insider.

4.3 Contents of report – An insider report required to be filed under section 4.1 or 4.2 must disclose the existence and material terms of the agreement, arrangement or understanding.

PART 5 EXEMPTION FOR AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Interpretation

(1) In this Part, a reference to a director or officer means a director or officer who is:

(a) a director or officer of a reporting issuer and a reporting insider of the reporting issuer; or

(b) a director or officer of a subsidiary of a reporting issuer and a reporting insider of the reporting issuer.

(2) In this Part, a reference to a security of a reporting issuer includes a related financial instrument involving a security of the reporting issuer.

(3) In this Part, a disposition or transfer of securities acquired under an automatic securities purchase plan is a specified disposition of securities if:

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either:

(i) the director or officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the plan administrator at least 30 days before the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or officer has not communicated an election to the reporting issuer or the plan administrator and, in accordance with the terms of the plan, the reporting issuer or the plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

5.2 Reporting exemption

(1) The insider reporting requirement does not apply to a director or officer for an acquisition or disposition of securities described in subsection (2) if the director or officer complies with the alternative reporting requirement in section 5.4.

(2) The exemption in subsection (1) applies to:

(a) an acquisition of securities of the reporting issuer under an automatic securities purchase plan, other than an acquisition of securities under a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan.

5.3 Acquisition of options or similar securities – The exemption in section 5.2 does not apply to an acquisition of options or similar securities granted to a director or officer.

5.4 Alternative reporting requirement

(1) A director or officer is exempt under section 5.2 from the insider reporting requirement if the insider files an insider report within the time period described in subsection (2) disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition and each specified disposition of a security under an automatic securities purchase plan that has not previously been disclosed by or on behalf of the director or officer.

(2) The deadline for filing the insider report under subsection (1) is:

(a) in the case of any securities acquired under the automatic securities purchase plan that have been disposed of or transferred, other than securities that have been disposed of or transferred as part of a specified disposition of securities, within five days of the disposition or transfer; and

(b) in the case of any securities acquired under the automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a specified disposition of securities, on or before March 31 of the next calendar year.

(3) Subsection (1) does not apply to a director or officer if, at the time the insider report described in subsection (1) is due:

(a) the director or officer is not a reporting insider; or

(b) the director or officer is exempt from the insider reporting requirement.

PART 6 EXEMPTION FOR CERTAIN ISSUER GRANTS

6.1 Interpretation

(1) In this Part, a reference to a director or officer means a director or officer who is:

(a) a director or officer of a reporting issuer and a reporting insider of the reporting issuer; or

(b) a director or officer of a subsidiary of a reporting issuer and a reporting insider of the reporting issuer.

(2) In this Part, a reference to a security of a reporting issuer includes a related financial instrument involving a security of the reporting issuer.

(3) In this Part, a disposition or transfer of a security acquired under a compensation arrangement is a specified disposition of a security if:

(a) the disposition or transfer is incidental to the operation of the compensation arrangement and does not involve a discrete investment decision by the director or officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of a security under the compensation arrangement and either:

(i) the director or officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the administrator of the compensation arrangement at least 30 days before the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or officer has not communicated an election to the reporting issuer or the administrator of the compensation arrangement and, in accordance with the terms of the arrangement, the reporting issuer or the administrator is required to sell securities automatically to satisfy the tax withholding obligation.

6.2 Reporting exemption – The insider reporting requirement does not apply to a director or officer for the acquisition of a security of the reporting issuer, or a specified disposition of a security of the reporting issuer, under a compensation arrangement established by the reporting issuer or by a subsidiary of the reporting issuer, if:

(a) the reporting issuer has previously disclosed the existence and material terms of the compensation arrangement in an information circular or other public document filed on SEDAR;

(b) in the case of an acquisition of securities, the reporting issuer has previously filed in respect of the acquisition an issuer grant report on SEDI in accordance with section 6.3; and

(c) the director or officer complies with the alternative reporting requirement in section 6.4.

6.3 Issuer grant report – An issuer grant report filed under this Part in respect of a compensation arrangement must include:

(a) the date the option or other security was issued or granted;

(b) the number of options or other securities issued or granted to each director or officer;

(c) the price at which the option or other security was issued or granted and the exercise price;

(d) the number and type of securities issuable on the exercise of the option or other security; and

(e) any other material terms that have not been previously disclosed or filed in a public filing on SEDAR.

6.4 Alternative reporting requirement

(1) A director or officer is exempt under section 6.2 from the insider reporting requirement if the insider files an insider report within the time period described in subsection (2) disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition and each specified disposition of a security under a compensation arrangement that has not previously been disclosed by or on behalf of the director or officer.

(2) The deadline for filing the insider report under subsection (1) is:

(a) in the case of any security acquired under the compensation arrangement that has been disposed of or transferred, other than a security that has been disposed of or transferred as part of a specified disposition of a security, within five days of the disposition or transfer; and

(b) in the case of any security acquired under the compensation arrangement during a calendar year that has not been disposed of or transferred, and any security that has been disposed of or transferred as part of a specified disposition of a security, on or before March 31 of the next calendar year.

(3) Subsection (1) does not apply to a director or officer if, at the time the insider report described in subsection (1) is due:

(a) the director or officer is not a reporting insider; or

(b) the director or officer is exempt from the insider reporting requirement.

PART 7 EXEMPTIONS FOR NORMAL COURSE ISSUER BIDS AND PUBLICLY DISCLOSED TRANSACTIONS

7.1 Reporting exemption for normal course issuer bids – The insider reporting requirement does not apply to an issuer for an acquisition of a security of its own issue by the issuer under a normal course issuer bid if the issuer complies with the alternative reporting requirement in section 7.2.

7.2 Reporting requirement – An issuer who relies on the exemption in section 7.1 must file an insider report disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

7.3 General exemption for other transactions that have been otherwise disclosed – The insider reporting requirement does not apply to an issuer in connection with a transaction, other than a normal course issuer bid, involving a security of its own issue if the existence and material terms of the transaction have been generally disclosed in a public filing on SEDAR.

PART 8 EXEMPTION FOR CERTAIN ISSUER EVENTS

8.1 Reporting exemption – The insider reporting requirement in respect of a reporting issuer does not apply to a reporting insider whose beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer changes as a result of an issuer event of the reporting issuer.

8.2 Reporting requirement – A reporting insider who relies on the exemption in section 8.1 in respect of a reporting issuer must file an insider report, disclosing all changes in beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer as a result of an issuer event if those changes have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer.

PART 9 GENERAL EXEMPTIONS

9.1 Reporting exemption (mutual funds) – The insider reporting requirement does not apply to an insider of an issuer that is a mutual fund.

9.2 Reporting exemption (non-reporting insiders) – The insider reporting requirement does not apply to an insider of an issuer if the insider is not a reporting insider of that issuer.

9.3 Reporting exemption (certain insiders of investment issuers) – The insider reporting requirement does not apply to a director or officer of a significant shareholder, or a director or officer of a subsidiary of a significant shareholder, in respect of securities of an investment issuer or a related financial instrument involving a security of the investment issuer if the director or officer:

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(b) is not a reporting insider of the investment issuer in any capacity other than as a director or officer of the significant shareholder or a subsidiary of the significant shareholder.

9.4 Reporting exemption (nil report) – The insider reporting requirement does not apply to a reporting insider if the reporting insider:

(a) does not have any beneficial ownership of, or control or direction over, whether direct or indirect, a security of the issuer;

(b) does not have any interest in, or right or obligation associated with, a related financial instrument involving a security of the issuer;

(c) has not entered into any agreement, arrangement or understanding as described in section 4.1; and

(d) is not a significant shareholder based on post-conversion beneficial ownership.

9.5 Reporting exemption (corporate group) – The insider reporting requirement does not apply to a reporting insider if:

(a) the reporting insider is a subsidiary or other affiliate of another reporting insider (the affiliated reporting insider); and

(b) the affiliated reporting insider has filed an insider report in respect of the reporting issuer that discloses substantially the same information as would be contained in an insider report filed by the reporting insider, including details of the reporting insider's:

(i) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer; and

(ii) interest in, or right or obligation associated with, any related financial instrument involving a security of the reporting issuer.

9.6 Reporting exemption (executor and co-executor) – The insider reporting requirement does not apply to a reporting insider for a security of an issuer beneficially owned or controlled, directly or indirectly, by an estate if:

(a) the reporting insider is an executor, administrator or other person or company who is a representative of the estate (referred to in this section as an executor of the estate), or a director or officer of an executor of the estate;

(b) the reporting insider is subject to the insider reporting requirement solely because of the reporting insider being an executor or a director or officer of an executor of the estate; and

(c) another executor or director or officer of an executor of the estate has filed an insider report that discloses substantially the same information as would be contained in an insider report filed by the reporting insider for securities of an issuer beneficially owned or controlled, directly or indirectly, by the estate.

9.7 Exempt persons and transactions – The insider reporting requirement does not apply to:

(a) an agreement, arrangement or understanding which does not involve, directly or indirectly;

(i) a security of the reporting issuer;

(ii) a related financial instrument involving a security of the reporting issuer; or

(iii) any other derivative in respect of which the underlying security, interest, benchmark or formula is or includes as a material component a security of the reporting issuer or a related financial instrument involving a security of the reporting issuer;

(b) a transfer, pledge or encumbrance of a security by a reporting insider for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the insider for any amount payable under such debt;

(c) the receipt by a reporting insider of a transfer, pledge or encumbrance of a security of an issuer if the security is transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;

(d) a reporting insider, other than a reporting insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;

(e) a reporting insider who did not know and, in the exercise of reasonable diligence, could not have known of the alteration to economic exposure described in section 4.1;

(f) the acquisition or disposition of a security, or an interest in a security, of an investment fund, provided that securities of the reporting issuer do not form a material component of the investment fund's market value; or

(g) the acquisition or disposition of a security, or an interest in a security, of an issuer that holds directly or indirectly securities of the reporting issuer, if:

(i) the reporting insider is not a control person of the issuer; and

(ii) the reporting insider does not have or share investment control over the securities of the reporting issuer.

PART 10 DISCRETIONARY EXEMPTIONS

10.1 Exemptions from this Instrument

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 11 EFFECTIVE DATE AND TRANSITION

11.1 Effective Date – This Instrument comes into force on April 30, 2010.

11.2 Transition

(1) Despite sections 3.3 and 3.4, a reporting insider may file an insider report required by either of those sections within 10 days of a change described in those sections if the change relates to a transaction that occurred on or before October 31, 2010.

(2) Despite section 4.1, a reporting insider may file an insider report required under that section within 10 days of an event described in that section if the event relates to a transaction that occurred on or before October 31, 2010.

(3) Despite paragraph 5.4(2)(a), a reporting insider may file an insider report required under that paragraph within 10 days of a disposition or transfer described in that paragraph if the disposition or transfer occurred on or before October 31, 2010.

(4) Despite paragraph 6.4(2)(a), a reporting insider may file an insider report required under that paragraph within 10 days of a disposition or transfer described in that paragraph if the disposition or transfer occurred on or before October 31, 2010**.**

19 Mar 2010 SR 11/2010 s9.

PART XLIX
[*Clause 2(ww)*]

NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

Text boxes in this Instrument located below sections 2.1, 7.1, 7.2, 8.12, 8.13, 8.15, 8.21, 8.25, 10.7 and 11.6 refer to the Securities Act (Ontario). These text boxes do not form part of this Instrument.

PART 1 INTERPRETATION

1.1 Definitions of terms used throughout this Instrument

In this Instrument:

"Canadian financial institution" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"connected issuer" has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

"debt security" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"eligible client" means a client of a person or company if any of the following apply:

(a) the client is an individual and was a client of the person or company immediately before becoming resident in the local jurisdiction;

(b) the client is the spouse or a child of a client referred to in paragraph (a);

(c) except in Ontario, the client is a client of the person or company on September 27, 2009 pursuant to the person or company's reliance on an exemption from the registration requirement under Part 5 of Multilateral Instrument 11-101 *Principal Regulator System* on that date;

"exempt market dealer" means a person or company registered in the category of exempt market dealer;

"IIROC" means the Investment Industry Regulatory Organization of Canada;

"IIROC Provision" means a by-law, rule, regulation or policy of IIROC named in Appendix G, as amended from time to time;

"interim period" means a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year;

"investment dealer" means a person or company registered in the category of investment dealer;

"managed account" means an account of a client for which a person or company makes the investment decisions if that person or company has discretion to trade in securities for the account without requiring the client's express consent to a transaction;

"marketplace" has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;

"MFDA" means the Mutual Fund Dealers Association of Canada;

"MFDA Provision" means a by-law, rule, regulation or policy of the MFDA named in Appendix H, as amended from time to time;

"mutual fund dealer" means a person or company registered in the category of mutual fund dealer;

"permitted client" means any of the following:

(a) a Canadian financial institution or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person or company referred to in paragraph (a) or (b), if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of the subsidiary;

(d) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser, investment dealer, mutual fund dealer or exempt market dealer;

(e) a pension fund that is regulated by either the federal Office of the Superintendent of Financial Institutions or a pension commission or similar regulatory authority of a jurisdiction of Canada or a wholly-owned subsidiary of such a pension fund;

(f) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (e);

(g) the Government of Canada or a jurisdiction of Canada, or any Crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada;

(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

(i) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(j) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a managed account managed by the trust company or trust corporation, as the case may be;

(k) a person or company acting on behalf of a managed account managed by the person or company, if the person or company is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;

(l) an investment fund if one or both of the following apply:

(i) the fund is managed by a person or company registered as an investment fund manager under the securities legislation of a jurisdiction of Canada;

(ii) the fund is advised by a person or company authorized to act as an adviser under the securities legislation of a jurisdiction of Canada;

(m) in respect of a dealer, a registered charity under the *Income Tax Act* (Canada) that obtains advice on the securities to be traded from an eligibility adviser, as defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;

(n) in respect of an adviser, a registered charity under the *Income Tax Act* (Canada) that is advised by an eligibility adviser, as defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;

(o) an individual who beneficially owns financial assets, as defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*, having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds $5 million;

(p) a person or company that is entirely owned by an individual or individuals referred to in paragraph (o), who holds the beneficial ownership interest in the person or company directly or through a trust, the trustee of which is a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction;

(q) a person or company, other than an individual or an investment fund, that has net assets of at least $25 million as shown on its most recently prepared financial statements;

(r) a person or company that distributes securities of its own issue in Canada only to persons or companies referred to in paragraphs (a) to (q);

"portfolio manager" means a person or company registered in the category of portfolio manager;

"principal jurisdiction" means:

(a) for a person or company other than an individual, the jurisdiction of Canada in which the person or company's head office is located; and

(b) for an individual, the jurisdiction of Canada in which the individual's working office is located;

"registered firm" means a registered dealer, a registered adviser, or a registered investment fund manager;

"registered individual" means an individual who is registered:

(a) in a category that authorizes the individual to act as a dealer or an adviser on behalf of a registered firm;

(b) as ultimate designated person; or

(c) as chief compliance officer;

"related issuer" has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

"restricted dealer" means a person or company registered in the category of restricted dealer;

"restricted portfolio manager" means a person or company registered in the category of restricted portfolio manager;

"Schedule III bank" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

"scholarship plan dealer" means a person or company registered in the category of scholarship plan dealer;

"sponsoring firm" means the registered firm on whose behalf an individual acts as a dealer, an underwriter, an adviser, a chief compliance officer or an ultimate designated person;

"subsidiary" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"working office" means the office of the sponsoring firm where an individual does most of his or her business.

1.2 Interpretation of "securities" in Alberta, British Columbia, New Brunswick and Saskatchewan

In Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities" in this Instrument includes "exchange contracts", unless the context otherwise requires.

1.3 Information may be given to the principal regulator

(1) In this section, **"principal regulator"** means:

(a) for a person or company whose head office is in a jurisdiction of Canada, the securities regulatory authority or regulator of that jurisdiction; and

(b) for a person or company whose head office is not in Canada, the securities regulatory authority or regulator of:

(i) if the person or company has not completed its first financial year since being registered, the jurisdiction of Canada in which the person or company expects most of its clients to be resident at the end of its current financial year; and

(ii) in all other circumstances, the jurisdiction of Canada in which most of the person or company's clients were resident at the end of its most recently completed financial year.

(2) Except under the following sections, for the purpose of a requirement in this Instrument to notify the regulator or the securities regulatory authority, the person or company may notify the regulator or the securities regulatory authority by notifying the person or company's principal regulator:

(a) section 8.18 [*international dealer*];

(b) section 8.26 [*international adviser*];

(c) section 11.9 [*registrant acquiring a registered firm's securities or assets*];

(d) section 11.10 [*registered firm whose securities are acquired*].

(3) For the purpose of a requirement in this Instrument to deliver or submit a document to the regulator or the securities regulatory authority, the person or company may deliver or submit the document by delivering or submitting it to the person or company's principal regulator.

PART 2 CATEGORIES OF REGISTRATION FOR INDIVIDUALS

2.1 Individual categories

(1) The following are the categories of registration for an individual who is required, under securities legislation, to be registered to act on behalf of a registered firm:

(a) dealing representative;

(b) advising representative;

(c) associate advising representative;

(d) ultimate designated person;

(e) chief compliance officer.

(2) An individual registered in the category of:

(a) dealing representative may act as a dealer or an underwriter in respect of a security that the individual's sponsoring firm is permitted to trade or underwrite;

(b) advising representative may act as an adviser in respect of a security that the individual's sponsoring firm is permitted to advise on;

(c) associate advising representative may act as an adviser in respect of a security that the individual's sponsoring firm is permitted to advise on if the advice has been approved under subsection 4.2(1) [*associate advising representatives – pre-approval of advice*];

(d) ultimate designated person must perform the functions set out in section 5.1 [*responsibilities of the ultimate designated person*]; and

(e) chief compliance officer must perform the functions set out in section 5.2 [*responsibilities of the chief compliance officer*].

(3) Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for individuals as in subsection 2.1(1) are set out under section 25 of the *Securities Act* (Ontario).

2.2 Client mobility exemption – individuals

(1) The registration requirement does not apply to an individual if all of the following apply:

(a) the individual is registered as a dealing, advising or associate advising representative in the individual's principal jurisdiction;

(b) the individual's sponsoring firm is registered in the firm's principal jurisdiction;

(c) the individual does not act as a dealer, underwriter or adviser in the local jurisdiction other than as he or she is permitted to in his or her principal jurisdiction according to the individual's registration in that jurisdiction;

(d) the individual does not act as a dealer, underwriter or adviser in the local jurisdiction other than for 5 or fewer eligible clients;

(e) the individual complies with Part 13 [*dealing with clients – individuals and firms*];

(f) the individual deals fairly, honestly and in good faith in the course of his or her dealings with an eligible client;

(g) before first acting as a dealer or adviser for an eligible client, the individual's sponsoring firm has disclosed to the client that the individual, and if the firm is relying on section 8.30 [*client mobility exemption – firms*], the firm:

(i) is exempt from registration in the local jurisdiction; and

(ii) is not subject to requirements otherwise applicable under local securities legislation.

(2) If an individual relies on the exemption in this section, the individual's sponsoring firm must submit a completed Form 31-103F3 *Use of Mobility Exemption* to the securities regulatory authority of the local jurisdiction as soon as possible after the individual first relies on this section.

2.3 Individuals acting for investment fund managers

The investment fund manager registration requirement does not apply to an individual acting on behalf of a registered investment fund manager.

PART 3 REGISTRATION REQUIREMENTS - INDIVIDUALS

Division 1 General proficiency requirements

3.1 Definitions

In this Part:

"Branch Manager Proficiency Exam" means the examination prepared and administered by the RESP Dealers Association of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Canadian Investment Funds Course Exam" means the examination prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Canadian Investment Manager designation" means the designation earned through the Canadian investment manager program prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every program that preceded that program, or succeeded that program, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned program;

"Canadian Securities Course Exam" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"CFA Charter" means the charter earned through the Chartered Financial Analyst program prepared and administered by the CFA Institute and so named on the day this Instrument comes into force, and every program that preceded that program, or succeeded that program, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned program;

"Chief Compliance Officers Qualifying Exam" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Exempt Market Products Exam" means the examination prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Investment Funds in Canada Course Exam" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Mutual Fund Dealers Compliance Exam" means the examination prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"New Entrants Course Exam" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"PDO Exam" means:

(a) the Officers', Partners' and Directors' Exam prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination; or

(b) the Partners, Directors and Senior Officers Course Exam prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Sales Representative Proficiency Exam" means the examination prepared and administered by the RESP Dealers Association of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"Series 7 Exam" means the examination prepared and administered by the Financial Industry Regulatory Authority in the United States of America and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination.

3.2 U.S. equivalency

In this Part, an individual is not required to have passed the Canadian Securities Course Exam if the individual has passed the Series 7 Exam and the New Entrants Course Exam.

3.3 Time limits on examination requirements

(1) For the purpose of this Part, an individual is deemed to have not passed an examination unless the individual passed the examination not more than 36 months before the date of his or her application for registration.

(2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:

(a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;

(b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.

(3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual's registration was suspended.

Division 2 Education and experience requirements

3.4 Proficiency – initial and ongoing

(1) An individual must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security the individual recommends.

(2) A chief compliance officer must not perform an activity set out in section 5.2 [*responsibilities of the chief compliance officer*] unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

3.5 Mutual fund dealer - dealing representative

A dealing representative of a mutual fund dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(b) unless any of the following apply:

(a) the individual has passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam;

(b) the individual has met the requirements of section 3.11 [*portfolio manager – advising representative*];

(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

3.6 Mutual fund dealer – chief compliance officer

A mutual fund dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has passed:

(i) the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam; and

(ii) the PDO Exam, the Mutual Fund Dealers Compliance Exam or the Chief Compliance Officers Qualifying Exam;

(b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*].

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

3.7 Scholarship plan dealer – dealing representative

A dealing representative of a scholarship plan dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(c) unless the individual has passed the Sales Representative Proficiency Exam.

3.8 Scholarship plan dealer – chief compliance officer

A scholarship plan dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless the individual has passed all of the following:

(a) the Sales Representative Proficiency Exam;

(b) the Branch Manager Proficiency Exam;

(c) the PDO Exam or the Chief Compliance Officers Qualifying Exam.

3.9 Exempt market dealer – dealing representative

A dealing representative of an exempt market dealer must not perform an activity listed in section 7.1(2)(d) unless any of the following apply:

(a) the individual has passed the Canadian Securities Course Exam;

(b) the individual has passed the Exempt Market Products Exam;

(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual satisfies the conditions set out in section 3.11 [*portfolio manager– advising representative*];

(e) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

3.10 Exempt market dealer – chief compliance officer

An exempt market dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has passed the following:

(i) the Exempt Market Products Exam or the Canadian Securities Course Exam; and

(ii) the PDO Exam or the Chief Compliance Officers Qualifying Exam;

(b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*];

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

3.11 Portfolio manager – advising representative

An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the individual has earned a CFA Charter and has gained 12 months of relevant investment management experience in the 36-month period before applying for registration;

(b) the individual has received the Canadian Investment Manager designation and has gained 48 months of relevant investment management experience, 12 months of which was gained in the 36-month period before applying for registration.

3.12 Portfolio manager – associate advising representative

An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience;

(b) the individual has received the Canadian Investment Manager designation and has gained 24 months of relevant investment management experience.

3.13 Portfolio manager – chief compliance officer

A portfolio manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has:

(i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec, or the equivalent in a foreign jurisdiction;

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam; and

(iii) either:

(A) gained 36 months of relevant securities experience while working at an investment dealer, a registered adviser or an investment fund manager; or

(B) provided professional services in the securities industry for 36 months and also worked at a registered dealer, a registered adviser or an investment fund manager for 12 months;

(b) the individual has passed the Canadian Securities Course Exam and either the PDO Exam or the Chief Compliance Officers Qualifying Exam and any of the following apply:

(i) the individual has worked at an investment dealer or a registered adviser for 5 years, including for 36 months in a compliance capacity;

(ii) the individual has worked for 5 years at a Canadian financial institution in a compliance capacity relating to portfolio management and also worked at a registered dealer or a registered adviser for 12 months;

(c) the individual has passed either the PDO Exam or the Chief Compliance Officers Qualifying Exam and has met the requirements of section 3.11 [*portfolio manager – advising representative*].

3.14 Investment fund manager – chief compliance officer

An investment fund manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has:

(i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec, or the equivalent in a foreign jurisdiction;

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam; and

(iii) either:

(A) gained 36 months of relevant securities experience while working at a registered dealer, a registered adviser or an investment fund manager; or

(B) provided professional services in the securities industry for 36 months and also worked in a relevant capacity at an investment fund manager for 12 months;

(b) the individual has:

(i) passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam, or the Investment Funds in Canada Course Exam;

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam; and

(iii) gained 5 years of relevant securities experience while working at a registered dealer, registered adviser or an investment fund manager, including 36 months in a compliance capacity.

(c) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*].

(d) section 3.13 [*portfolio manager - chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

Division 3 Membership in a self-regulatory organization

3.15 Who must be approved by an SRO before registration

(1) A dealing representative of an investment dealer that is a member of IIROC must be an "approved person" as defined under the rules of IIROC.

(2) Except in Québec, a dealing representative of a mutual fund dealer that is a member of the MFDA must be an "approved person" as defined under the rules of the MFDA.

3.16 Exemptions from certain requirements for SRO-approved persons

(1) The following sections do not apply to a registered individual who is a dealing representative of a member of IIROC:

(a) subsection 13.2(3) [*know your client*];

(b) section 13.3 [*suitability*];

(c) section 13.13 [*disclosure when recommending the use of borrowed money*].

(1.1) Subsection (1) only applies to a registered individual who is a dealing representative of a member of IIROC in respect of a requirement specified in any of paragraphs (1)(a) to (c) if the registered individual complies with the corresponding IIROC Provisions that are in effect.

(2) The following sections do not apply to a registered individual who is a dealing representative of a member of the MFDA:

(a) section 13.3 [*suitability*];

(b) section 13.13 [*disclosure when recommending the use of borrowed money*].

(2.1) Subsection (2) only applies to a registered individual who is a dealing representative of a member of the MFDA in respect of a requirement specified in paragraphs (2)(a) or (b) if the registered individual complies with the corresponding MFDA Provisions that are in effect.

(3) In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.

PART 4 RESTRICTIONS ON REGISTERED INDIVIDUALS

4.1 Restriction on acting for another registered firm

(1) A registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual:

(a) acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm; or

(b) is registered as a dealing, advising or associate advising representative of another registered firm.

(2) Paragraph (1)(b) does not apply in respect of a representative whose registration as a dealing, advising or associate advising representative of more than one registered firm was granted before July 11, 2011.

4.2 Associate advising representatives – pre-approval of advice

(1) An associate advising representative of a registered adviser must not advise on securities unless, before giving the advice, the advice has been approved by an individual designated by the registered firm under subsection (2).

(2) A registered adviser must designate, for an associate advising representative, an advising representative to review the advice of the associate advising representative.

(3) No later than the 7th day following the date of a designation under subsection (2), a registered adviser must provide the regulator or, in Québec, the securities regulatory authority with the names of the advising representative and the associate advising representative who are the subject of the designation.

PART 5 ULTIMATE DESIGNATED PERSON AND CHIEF COMPLIANCE OFFICER

5.1 Responsibilities of the ultimate designated person

The ultimate designated person of a registered firm must do all of the following:

(a) supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf;

(b) promote compliance by the firm, and individuals acting on its behalf, with securities legislation.

5.2 Responsibilities of the chief compliance officer

The chief compliance officer of a registered firm must do all of the following:

(a) establish and maintain policies and procedures for assessing compliance by the firm, and individuals acting on its behalf, with securities legislation;

(b) monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation;

(c) report to the ultimate designated person of the firm as soon as possible if the chief compliance officer becomes aware of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with securities legislation and any of the following apply:

(i) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to a client;

(ii) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to the capital markets;

(iii) the non-compliance is part of a pattern of non-compliance;

(d) submit an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purpose of assessing compliance by the firm, and individuals acting on its behalf, with securities legislation.

PART 6 SUSPENSION AND REVOCATION OF REGISTRATION - INDIVIDUALS

6.1 If individual ceases to have authority to act for firm

If a registered individual ceases to have authority to act as a registered individual on behalf of his or her sponsoring firm because of the end of, or a change in, the individual's employment, partnership, or agency relationship with the firm, the individual's registration with the firm is suspended until reinstated or revoked under securities legislation.

6.2 If IIROC approval is revoked or suspended

If IIROC revokes or suspends a registered individual's approval in respect of an investment dealer, the individual's registration as a dealing representative of the investment dealer is suspended until reinstated or revoked under securities legislation.

6.3 If MFDA approval is revoked or suspended

Except in Québec, if the MFDA revokes or suspends a registered individual's approval in respect of a mutual fund dealer, the individual's registration as a dealing representative of the mutual fund dealer is suspended until reinstated or revoked under securities legislation.

6.4 If sponsoring firm is suspended

If a registered firm's registration in a category is suspended, the registration of each registered dealing, advising or associate advising representative acting on behalf of the firm in that category is suspended until reinstated or revoked under securities legislation.

6.5 Dealing and advising activities suspended

If an individual's registration in a category is suspended, the individual must not act as a dealer, an underwriter or an adviser, as the case may be, under that category.

6.6 Revocation of a suspended registration – individual

If a registration of an individual has been suspended under this Part and it has not been reinstated, the registration is revoked on the 2nd anniversary of the suspension.

6.7 Exception for individuals involved in a hearing or proceeding

Despite section 6.6, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant's registration remains suspended.

6.8 Application of Part 6 in Ontario

Other than section 6.5 [*dealing and advising activities suspended*], this Part does not apply in Ontario.

Note: In Ontario, measures governing suspension in section 29 of the *Securities Act* (Ontario) are similar to those in Parts 6 and 10.

PART 7 CATEGORIES OF REGISTRATION FOR FIRMS

7.1 Dealer categories

(1) The following are the categories of registration for a person or company that is required, under securities legislation, to be registered as a dealer:

(a) investment dealer;

(b) mutual fund dealer;

(c) scholarship plan dealer;

(d) exempt market dealer;

(e) restricted dealer.

(2) A person or company registered in the category of:

(a) investment dealer may act as a dealer or an underwriter in respect of any security;

(b) mutual fund dealer may act as a dealer in respect of any security of:

(i) a mutual fund; or

(ii) an investment fund that is a labour-sponsored investment fund corporation or labour-sponsored venture capital corporation under legislation of a jurisdiction of Canada;

(c) scholarship plan dealer may act as a dealer in respect of a security of a scholarship plan, an educational plan or an educational trust;

(d) exempt market dealer may:

(i) act as a dealer by trading a security that is distributed under an exemption from the prospectus requirement, whether or not a prospectus was filed in respect of the distribution;

(ii) act as a dealer by trading a security that, if the trade were a distribution, would be exempt from the prospectus requirement;

(iii) receive an order from a client to sell a security that was acquired by the client in a circumstance described in subparagraph (i) or (ii), and may act or solicit in furtherance of receiving such an order; and

(iv) act as an underwriter in respect of a distribution of securities that is made under an exemption from the prospectus requirement;

(e) restricted dealer may act as a dealer or an underwriter in accordance with the terms, conditions, restrictions or requirements applied to its registration.

(3) **Repealed.** 5 Aug 2011 SR 48/2011 s9.

(4) Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for firms acting as dealers as in subsection 7.1(1) are set out under subsection 26(2) of the *Securities Act* (Ontario).

7.2 Adviser categories

(1) The following are the categories of registration for a person or company that is required, under securities legislation, to be registered as an adviser:

(a) portfolio manager;

(b) restricted portfolio manager.

(2) A person or company registered in the category of:

(a) portfolio manager may act as an adviser in respect of any security; and

(b) restricted portfolio manager may act as an adviser in respect of any security in accordance with the terms, conditions, restrictions or requirements applied to its registration.

(3) Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for firms acting as advisers as in subsection 7.2(1) are set out under subsection 26(6) of the *Securities Act* (Ontario).

7.3 Investment fund manager category

The category of registration for a person or company that is required, under securities legislation, to be registered as an investment fund manager is "investment fund manager".

PART 8 EXEMPTIONS FROM THE REQUIREMENT TO REGISTER

Division 1 Exemptions from dealer and underwriter registration

8.1 Interpretation of "trade" in Québec

In this Part, in Québec, "trade" refers to any of the following activities:

(a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:

(i) the sale or disposition of a security by onerous title, whether the terms of payment are on margin, installment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);

(ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;

(iii) the receipt by a registrant of an order to buy or sell a security;

(b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.

8.2 Definition of "securities" in Alberta, British Columbia, New Brunswick and Saskatchewan

Despite section 1.2, in Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities' in this Division excludes "exchange contracts".

8.3 Interpretation – exemption from underwriter registration requirement

In this Division, an exemption from the dealer registration requirement is an exemption from the underwriter registration requirement.

8.4 Person or company not in the business of trading in British Columbia, Manitoba and New Brunswick

(1) In British Columbia and New Brunswick, a person or company is exempt from the dealer registration requirement if the person or company:

(a) is not engaged in the business of trading in securities or exchange contracts as a principal or agent; and

(b) does not hold himself, herself or itself out as engaging in the business of trading in securities or exchange contracts as a principal or agent.

(2) In Manitoba, a person or company is exempt from the dealer registration requirement if the person or company:

(a) is not engaged in the business of trading in securities as a principal or agent; and

(b) does not hold himself, herself or itself out as engaging in the business of trading in securities as a principal or agent.

8.5 Trades through or to a registered dealer

The dealer registration requirement does not apply to a person or company in respect of a trade by the person or company if one of the following applies:

(a) the trade is made solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade;

(b) the trade is made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade.

8.6 Investment fund trades by adviser to managed account

(1) The dealer registration requirement does not apply to a registered adviser, or an adviser that is exempt from registration under section 8.26 [*international adviser*], in respect of a trade in a security of an investment fund if both of the following apply:

(a) the adviser acts as the fund's adviser and investment fund manager;

(b) the trade is to a managed account of a client of the adviser.

(2) The exemption in subsection (1) is not available if the managed account or investment fund was created or is used primarily for the purpose of qualifying for the exemption.

(3) An adviser that relies on subsection (1) must provide written notice to the regulator or, in Québec, the securities regulatory authority that it is relying on the exemption within 10 days of its first use of the exemption.

8.7 Investment fund reinvestment

(1) Subject to subsections (2), (3), (4) and (5), the dealer registration requirement does not apply to an investment fund, or the investment fund manager of the fund, in respect of a trade in a security with a security holder of the investment fund if the trade is permitted by a plan of the investment fund and is in a security of the investment fund's own issue and if any of the following apply:

(a) a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities is applied to the purchase of the security that is of the same class or series as the securities to which the dividends or distributions are attributable;

(b) the security holder makes an optional cash payment to purchase the security of the investment fund and both of the following apply:

(i) the security is of the same class or series of securities described in paragraph (a) that trade on a marketplace;

(ii) the aggregate number of securities issued under the optional cash payment does not exceed, in the financial year of the investment fund during which the trade takes place, 2 per cent of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(2) The exemption in subsection (1) is not available unless the plan that permits the trade is available to every security holder in Canada to which the dividend or distribution is available.

(3) The exemption in subsection (1) is not available if a sales charge is payable on a trade described in the subsection.

(4) At the time of the trade, if the investment fund is a reporting issuer and in continuous distribution, the investment fund must have set out in the prospectus under which the distribution is made:

(a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security; and

(b) any right that the security holder has to elect to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund and instructions on how the right can be exercised.

(5) At the time of the trade, if the investment fund is a reporting issuer and is not in continuous distribution, the investment fund must provide the information required by subsection (4) in its prospectus, annual information form or a material change report.

8.8 Additional investment in investment funds

The dealer registration requirement does not apply to an investment fund, or the investment fund manager of the fund, in respect of a trade in a security of the investment fund's own issue with a security holder of the investment fund if all of the following apply:

(a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than $150,000 paid in cash at the time of the acquisition;

(b) the trade is in respect of a security of the same class or series as the securities initially acquired, as described in paragraph (a);

(c) the security holder, as at the date of the trade, holds securities of the investment fund and one or both of the following apply:

(i) the acquisition cost of the securities being held was not less than $150,000;

(ii) the net asset value of the securities being held is not less than $150,000.

8.9 Additional investment in investment funds if initial purchase before September 14, 2005

The dealer registration requirement does not apply in respect of a trade by an investment fund in a security of its own issue to a purchaser that initially acquired a security of the same class as principal before September 14, 2005 if all of the following apply:

(a) the security was initially acquired under any of the following provisions:

(i) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules* (General);

(ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia);

(iii) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;

(iv) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;

(v) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

(vi) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);

(vii) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 1;

(viii) in Nunavut, section 3(c) and (z) of Blanket Order No. 1;

(ix) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

(x) in Prince Edward Island, section 2(3)(d) of the former *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 *Exempt Distributions - Exemption for Purchase of Mutual Fund Securities*;

(xi) in Québec, former sections 51 and 155.1(2) of the *Securities Act* (Québec);

(xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of *The Securities Act, 1988* (Saskatchewan);

(b) the trade is for a security of the same class or series as the initial trade;

(c) the security holder, as at the date of the trade, holds securities of the investment fund that have one or both of the following characteristics:

(i) an acquisition cost of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted;

(ii) a net asset value of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted.

8.10 Private investment club

The dealer registration requirement does not apply in respect of a trade in a security of an investment fund if all of the following apply:

(a) the fund has no more than 50 beneficial security holders;

(b) the fund does not seek and has never sought to borrow money from the public;

(c) the fund does not distribute and has never distributed its securities to the public;

(d) the fund does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees;

(e) the fund, for the purpose of financing its operations, requires security holders to make contributions in proportion to the value of the securities held by them.

8.11 Private investment fund – loan and trust pools

(1) The dealer registration requirement does not apply in respect of a trade in a security of an investment fund if all of the following apply:

(a) the fund is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) the fund has no promoter or investment fund manager other than the trust company or trust corporation referred to in paragraph (a);

(c) the fund commingles the money of different estates and trusts for the purpose of facilitating investment.

(2) Despite subsection (1), a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the Trust and Loan Companies Act (Canada) or under comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of paragraph (1)(a).

8.12 Mortgages

(1) In this section, "syndicated mortgage" means a mortgage in which two or more persons or companies participate, directly or indirectly, as lenders in the debt obligation that is secured by the mortgage.

(2) Subject to subsection (3), the dealer registration requirement does not apply in respect of a trade in a mortgage on real property in a jurisdiction of Canada by a person or company who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

(3) In Alberta, British Columbia, Manitoba, Québec and Saskatchewan, subsection (2) does not apply in respect of a trade in a syndicated mortgage.

(4) This section does not apply in Ontario.

Note: In Ontario a similar exemption from the dealer registration requirement is provided under subsection 35(4) of the *Securities Act* (Ontario).

8.13 Personal property security legislation

(1) The dealer registration requirement does not apply in respect of a trade to a person or company, other than an individual in a security evidencing indebtedness secured by or under a security agreement, secured in accordance with personal property security legislation of a jurisdiction of Canada that provides for the granting of security in personal property.

(2) This section does not apply in Ontario.

Note: In Ontario a similar exemption from the dealer registration requirement is provided under subsection 35(2) of the *Securities Act* (Ontario).

8.14 Variable insurance contract

(1) In this section:

"contract", **"group insurance"**, **"insurance company"**, **"life insurance"** and **"policy"** have the respective meanings assigned to them in the legislation referenced opposite the name of the local jurisdiction in Appendix A of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"variable insurance contract" means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

(2) The dealer registration requirement does not apply in respect of a trade in a variable insurance contract by an insurance company if the variable insurance contract is:

(a) a contract of group insurance;

(b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity;

(c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds; or

(d) a variable life annuity.

8.15 Schedule III banks and cooperative associations – evidence of deposit

(1) The dealer registration requirement does not apply in respect of a trade in an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

(2) This section does not apply in Ontario.

Note: In Ontario, subsection 8.15(1) is not required because the security described in the exemption is excluded from the definition of "security" in subsection 1(1) of the *Securities Act* (Ontario).

8.16 Plan administrator

(1) In this section:

"consultant" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"executive officer" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"permitted assign" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"plan" means a plan or program established or maintained by an issuer providing for the acquisition of securities of the issuer by employees, executive officers, directors or consultants of the issuer or of a related entity of the issuer;

"plan administrator" means a trustee, custodian, or administrator, acting on behalf of, or for the benefit of, employees, executive officers, directors or consultants of an issuer or of a related entity of an issuer;

"related entity" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

(2) The dealer registration requirement does not apply in respect of a trade made pursuant to a plan of the issuer in a security of an issuer, or an option to acquire a security of the issuer, made by the issuer, a control person of the issuer, a related entity of the issuer, or a plan administrator of the issuer with any of the following:

(a) the issuer;

(b) a current or former employee, executive officer, director or consultant of the issuer or a related entity of the issuer;

(c) a permitted assign of a person or company referred to in paragraph (b).

(3) The dealer registration requirement does not apply in respect of a trade in a security of an issuer, or an option to acquire a security of the issuer, made by a plan administrator of the issuer if:

(a) the trade is pursuant to a plan of the issuer; and

(b) the conditions in section 2.14 of National Instrument 45-102 *Resale of Securities* are satisfied.

8.17 Reinvestment plan

(1) Subject to subsections (3), (4) and (5), the dealer registration requirement does not apply in respect of the following trades by an issuer, or by a trustee, custodian or administrator acting for or on behalf of the issuer, to a security holder of the issuer if the trades are permitted by a plan of the issuer:

(a) a trade in a security of the issuer's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the issuer's securities is applied to the purchase of the security;

(b) subject to subsection (2), a trade in a security of the issuer's own issue if the security holder makes an optional cash payment to purchase the security of the issuer that trades on a marketplace.

(2) The aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) must not exceed, in any financial year of the issuer during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits the trades described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) This section is not available in respect of a trade in a security of an investment fund.

(5) Subject to section 8.4 [*transition – reinvestment plan*] of National Instrument 45-106 *Prospectus and Registration Exemptions*, if the security traded under a plan described in subsection (1) is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator must have provided to each participant that is eligible to receive a security under the plan either a description of the material attributes and characteristics of the security traded under the plan or notice of a source from which the participant can obtain the information without charge.

8.18 International dealer

(1) In this section:

"Canadian permitted client" means a permitted client referred to in any of paragraphs (a) to (e), (g) or (i) to (r) of the definition of 'permitted client' in section 1.1 if:

(a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada;

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada;

"foreign security" means:

(a) a security issued by an issuer incorporated, formed or created under the laws of a foreign jurisdiction; or

(b) a security issued by a government of a foreign jurisdiction.

(2) Subject to subsections (3) and (4), the dealer registration requirement does not apply in respect of any of the following:

(a) an activity, other than a sale of a security, that is reasonably necessary to facilitate a distribution of securities that are offered primarily in a foreign jurisdiction;

(b) a trade in a debt security with a Canadian permitted client during the security's distribution, if the debt security is offered primarily in a foreign jurisdiction and a prospectus has not been filed with a Canadian securities regulatory authority for the distribution;

(c) a trade in a debt security that is a foreign security with a Canadian permitted client, other than during the security's distribution;

(d) a trade in a foreign security with a Canadian permitted client, unless the trade is made during the security's distribution under a prospectus that has been filed with a Canadian securities regulatory authority;

(e) a trade in a foreign security with an investment dealer;

(f) a trade in any security with an investment dealer that is acting as principal.

(3) The exemption under subsection (2) is not available to a person or company unless all of the following apply:

(a) the head office or principal place of business of the person or company is in a foreign jurisdiction;

(b) the person or company is registered under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located in a category of registration that permits it to carry on the activities in that jurisdiction that registration as a dealer would permit it to carry on in the local jurisdiction;

(c) the person or company engages in the business of a dealer in the foreign jurisdiction in which its head office or principal place of business is located;

(d) the person or company is acting as principal or as agent for:

(i) the issuer of the securities;

(ii) a permitted client; or

(iii) a person or company that is not a resident of Canada;

(e) the person or company has submitted to the securities regulatory authority a completed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*.

(4) The exemption under subsection (2) is not available to a person or company in respect of a trade with a Canadian permitted client unless one of the following applies:

(a) the Canadian permitted client is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

(b) the person or company has notified the Canadian permitted client of all of the following:

(i) the person or company is not registered in the local jurisdiction to make the trade;

(ii) the foreign jurisdiction in which the head office or principal place of business of the person or company is located;

(iii) all or substantially all of the assets of the person or company may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the person or company because of the above;

(v) the name and address of the agent for service of process of the person or company in the local jurisdiction.

(5) A person or company that relied on the exemption in subsection (2) during the 12-month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

(6) In Ontario, subsection (5) does not apply to a person or company that complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees*.

(7) The adviser registration requirement does not apply to a person or company that is exempt from the dealer registration requirement under this section if the person or company provides advice to a client and the advice is:

(a) in connection with an activity or trade described under subsection (2); and

(b) not in respect of a managed account of the client.

8.19 Self-directed registered education savings plan

(1) In this section:

"self-directed RESP" means an educational savings plan registered under the *Income Tax Act* (Canada):

(a) that is structured so that contributions by a subscriber to the plan are deposited directly into an account in the name of the subscriber; and

(b) under which the subscriber maintains control and direction over the plan that enables the subscriber to direct how the assets of the plan are to be held, invested or reinvested subject to compliance with the *Income Tax Act* (Canada).

(2) The dealer registration requirement does not apply in respect of a trade in a self-directed RESP to a subscriber if both of the following apply:

(a) the trade is made by any of the following:

(i) a dealing representative of a mutual fund dealer who is acting on behalf of the mutual fund dealer in respect of securities listed in section 7.1(2)(b);

(ii) a Canadian financial institution;

(iii) in Ontario, a financial intermediary;

(b) the self-directed RESP restricts its investments in securities to securities in which the person or company who trades the self-directed RESP is permitted to trade.

8.20 Exchange contract – Alberta, British Columbia, New Brunswick and Saskatchewan

(1) In Alberta, British Columbia and New Brunswick, the dealer registration requirement does not apply in respect of the following trades in exchange contracts:

(a) a trade by a person or company made:

(i) solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade; or

(ii) to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade;

(b) subject to subsection (2), a trade resulting from an unsolicited order placed with an individual who is not a resident of, and does not carry on business in, the local jurisdiction.

(2) An individual referred to in subsection (1)(b) must not do any of the following:

(a) advertise or engage in promotional activity that is directed to persons or companies in the local jurisdiction during the 6 months preceding the trade;

(b) pay any commission or finder's fee to any person or company in the local jurisdiction in connection with the trade.

(3) In Saskatchewan, the dealer registration requirement does not apply in respect of either of the following:

(a) a trade in an exchange contract made solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade;

(b) a trade in an exchange contract made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade.

8.21 Specified debt

(1) In this section:

"approved credit rating" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"approved credit rating organization" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"permitted supranational agency" means any of the following:

(a) the African Development Bank, established by the Agreement Establishing the African Development Bank which came into force on September 10, 1964, that Canada became a member of on December 30, 1982;

(b) the Asian Development Bank, established under a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;

(c) the Caribbean Development Bank, established by the Agreement Establishing the Caribbean Development Bank which came into force on January 26, 1970, as amended, that Canada is a founding member of;

(d) the European Bank for Reconstruction and Development, established by the Agreement Establishing the European Bank for Reconstruction and Development and approved by the *European Bank for Reconstruction and Development Agreement Act* (Canada), that Canada is a founding member of;

(e) the Inter-American Development Bank, established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, that Canada is a member of;

(f) the International Bank for Reconstruction and Development, established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada);

(g) the International Finance Corporation, established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada).

(2) The dealer registration requirement does not apply in respect of a trade in any of the following:

(a) a debt security issued by or guaranteed by the Government of Canada or the government of a jurisdiction of Canada;

(b) a debt security issued by or guaranteed by a government of a foreign jurisdiction if the debt security has an approved credit rating from an approved credit rating organization;

(c) a debt security issued by or guaranteed by a municipal corporation in Canada;

(d) a debt security secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectible by or through the municipality in which the property is situated;

(e) a debt security issued by or guaranteed by a Canadian financial institution or a Schedule III bank, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities;

(f) a debt security issued by the Comité de gestion de la taxe scolaire de l'île de Montréal;

(g) a debt security issued by or guaranteed by a permitted supranational agency if the debt securities are payable in the currency of Canada or the United States of America.

(3) Paragraphs (2)(a), (c) and (d) do not apply in Ontario.

Note: In Ontario, exemptions from the dealer registration requirement similar to those in paragraphs 8.21(a), (c) and (d) are provided under paragraph 2 of subsection 35(1) of the *Securities Act* (Ontario).

8.22 Small security holder selling and purchase arrangements

(1) In this section:

"exchange" means:

(a) TSX Inc.;

(b) TSX Venture Exchange Inc.; or

(c) an exchange that:

(i) has a policy that is substantially similar to the policy of the TSX Inc.; and

(ii) is designated by the securities regulatory authority for the purpose of this section;

"policy" means:

(a) in the case of TSX Inc., sections 638 and 639 [*Odd lot selling and purchase arrangements*] of the TSX Company Manual, as amended from time to time;

(b) in the case of the TSX Venture Exchange Inc., Policy 5.7 Small Shareholder Selling and Purchase Arrangements, as amended from time to time; or

(c) in the case of an exchange referred to in paragraph (c) of the definition of "exchange", the rule, policy or other similar instrument of the exchange on small shareholder selling and purchase arrangements.

(2) The dealer registration requirement does not apply in respect of a trade by an issuer or its agent, in securities of the issuer that are listed on an exchange, if all of the following apply:

(a) the trade is an act in furtherance of participation by the holders of the securities in an arrangement that is in accordance with the policy of that exchange;

(b) the issuer and its agent do not provide advice to a security holder about the security holder's participation in the arrangement referred to in paragraph (a), other than a description of the arrangement's operation, procedures for participation in the arrangement, or both;

(c) the trade is made in accordance with the policy of that exchange, without resort to an exemption from, or variation of, the significant subject matter of the policy;

(d) at the time of the trade after giving effect to a purchase under the arrangement, the market value of the maximum number of securities that a security holder is permitted to hold in order to be eligible to participate in the arrangement is not more than $25,000.

(3) For the purposes of subsection (2)(c), an exemption from, or variation of, the maximum number of securities that a security holder is permitted to hold under a policy in order to be eligible to participate in the arrangement provided for in the policy is not an exemption from, or variation of, the significant subject matter of the policy.

Division 2 Exemptions from adviser registration

8.23 Dealer without discretionary authority

The adviser registration requirement does not apply to a registered dealer, or a dealing representative acting on behalf of the dealer, that provides advice to a client if the advice is:

(a) in connection with a trade in a security that the dealer and the representative are permitted to make under his, her or its registration;

(b) provided by the representative; and

(c) not in respect of a managed account of the client.

8.24 IIROC members with discretionary authority

The adviser registration requirement does not apply to a registered dealer, or a dealing representative acting on behalf of the dealer, that acts as an adviser in respect of a client's managed account if the registered dealer is a member of IIROC and the advising activities are conducted in accordance with the rules of IIROC.

8.25 Advising generally

(1) For the purposes of subsections (3) and (4), "financial or other interest" includes the following:

(a) ownership, beneficial or otherwise, in the security or in another security issued by the same issuer;

(b) an option in respect of the security or another security issued by the same issuer;

(c) a commission or other compensation received, or expected to be received, from any person or company in connection with the trade in the security;

(d) a financial arrangement regarding the security with any person or company;

(e) a financial arrangement with any underwriter or other person or company who has any interest in the security.

(2) The adviser registration requirement does not apply to a person or company that acts as an adviser if the advice the person or company provides does not purport to be tailored to the needs of the person or company receiving the advice.

(3) If a person or company that is exempt under subsection (2) recommends buying, selling or holding a specified security, a class of securities or the securities of a class of issuers in which any of the following has a financial or other interest, the person or company must disclose the interest concurrently with providing the advice:

(a) the person or company;

(b) any partner, director or officer of the person or company;

(c) any other person or company that would be an insider of the first-mentioned person or company if the first-mentioned person or company were a reporting issuer.

(4) If the financial or other interest of the person or company includes an interest in an option described in paragraph (b) of the definition of "financial or other interest" in subsection (1), the disclosure required by subsection (3) must include a description of the terms of the option.

(5) This section does not apply in Ontario.

Note: In Ontario, measures similar to those in section 8.25 are in section 34 of the *Securities Act* (Ontario).

8.26 International adviser

(1) Despite section 1.2, in Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities" in this section excludes "exchange contracts".

(2) In this section:

"aggregate consolidated gross revenue" does not include the gross revenue of an affiliate of the adviser if the affiliate is registered in a jurisdiction of Canada;

"Canadian permitted client" means a permitted client referred to in any of paragraphs (a) to (c), (e), (g) or (i) to (r) of the definition of 'permitted client' in section 1.1 if:

(a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada; and

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada;

"foreign security" means:

(a) a security issued by an issuer incorporated, formed or created under the laws of a foreign jurisdiction; and

(b) a security issued by a government of a foreign jurisdiction.

(3) The adviser registration requirement does not apply to a person or company in respect of its acting as an adviser to a Canadian permitted client if the adviser does not advise that client on securities of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.

(4) The exemption under subsection (3) is not available unless all of the following apply:

(a) the adviser's head office or principal place of business is in a foreign jurisdiction;

(b) the adviser is registered or operates under an exemption from registration, under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located, in a category of registration that permits it to carry on the activities in that jurisdiction that registration as an adviser would permit it to carry on in the local jurisdiction;

(c) the adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located;

(d) as at the end of its most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the adviser, its affiliates and its affiliated partnerships was derived from the portfolio management activities of the adviser, its affiliates and its affiliated partnerships in Canada;

(e) before advising a client, the adviser notifies the client of all of the following:

(i) the adviser is not registered in the local jurisdiction to provide the advice described under subsection (3);

(ii) the foreign jurisdiction in which the adviser's head office or principal place of business is located;

(iii) all or substantially all of the adviser's assets may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the adviser because of the above;

(v) the name and address of the adviser's agent for service of process in the local jurisdiction;

(f) the adviser has submitted to the securities regulatory authority a completed Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service.

(5) A person or company that relied on the exemption in subsection (3) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

(6) In Ontario, subsection (5) does not apply to a person or company that complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees*.

Division 3 Exemptions from investment fund manager registration

8.27 Private investment club

The investment fund manager registration requirement does not apply to a person or company in respect of its acting as an investment fund manager for an investment fund if all of the following apply:

(a) the fund has no more than 50 beneficial security holders;

(b) the fund does not seek and has never sought to borrow money from the public;

(c) the fund does not distribute and has never distributed its securities to the public;

(d) the fund does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees;

(e) the fund, for the purpose of financing its operations, requires security holders to make contributions in proportion to the value of the securities held by them.

8.28 Capital accumulation plan exemption

(1) In this section, **"capital accumulation plan"** means a tax assisted investment or savings plan, including a defined contribution registered pension plan, a group registered retirement savings plan, a group registered education savings plan, or a deferred profit-sharing plan, established by a plan sponsor that permits a member to make investment decisions among two or more investment options offered within the plan, and in Quebec and Manitoba, includes a simplified pension plan.

(2) The investment fund manager registration requirement does not apply to a person or company that acts as an investment fund manager for an investment fund if the person or company is only required to be registered as an investment fund manager because the investment fund is an investment option in a capital accumulation plan.

8.29 Private investment fund – loan and trust pools

(1) The investment fund manager registration requirement does not apply to a trust company or trust corporation that administers an investment fund if all of the following apply:

(a) the trust company or trust corporation is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) the fund has no promoter or investment fund manager other than the trust company or trust corporation;

(c) the fund commingles the money of different estates and trusts for the purpose of facilitating investment.

(2) The exemption in subsection (1) is not available to a trust company or trust corporation registered under the laws of Prince Edward Island unless it is also registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada.

(3) This section does not apply in Ontario.

Note: In Ontario, subsection 35.1 of the *Securities Act* (Ontario) provides a general exemption from the registration requirement for trust companies, trust corporations and other specified financial institutions.

Division 4 Mobility exemption – firms

8.30 Client mobility exemption – firms

The dealer registration requirement and the adviser registration requirement do not apply to a person or company if all of the following apply:

(a) the person or company is registered as a dealer or adviser in its principal jurisdiction;

(b) the person or company does not act as a dealer, underwriter or adviser in the local jurisdiction other than as it is permitted to in its principal jurisdiction according to its registration;

(c) the person or company does not act as a dealer, underwriter or adviser in the local jurisdiction other than in respect of 10 or fewer eligible clients;

(d) the person or company complies with Parts 13 [*dealing with clients – individuals and firms*] and 14 [*handling client accounts – firms*];

(e) the person or company deals fairly, honestly and in good faith in the course of its dealings with an eligible client.

PART 9 MEMBERSHIP IN A SELF-REGULATORY ORGANIZATION

9.1 IIROC membership for investment dealers

An investment dealer must not act as a dealer unless the investment dealer is a "Dealer Member", as defined under the rules of IIROC.

9.2 MFDA membership for mutual fund dealers

Except in Québec, a mutual fund dealer must not act as a dealer unless the mutual fund dealer is a "member", as defined under the rules of the MFDA.

9.3 Exemptions from certain requirements for IIROC members

(1) Unless it is also registered as an investment fund manager, a registered firm that is a member of IIROC is exempt from the following provisions:

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.3 [*insurance – dealer*];

(d) section 12.6 [*global bonding or insurance*];

(e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];

(f) section 12.10 [*annual financial statements*];

(g) section 12.11 [*interim financial information*];

(h) section 12.12 [*delivering financial information – dealer*];

(i) subsection 13.2(3) [*know your client*];

(j) section 13.3 [*suitability*];

(k) section 13.12 [*restriction on lending to clients*];

(l) section 13.13 [*disclosure when recommending the use of borrowed money*];

(l.1) section 13.15 [*handling complaints*];

(m) subsection 14.2(2) [*relationship disclosure information*];

(n) section 14.6 [*holding client assets in trust*];

(o) section 14.8 [*securities subject to a safekeeping agreement*];

(p) section 14.9 [*securities not subject to a safekeeping agreement*];

(q) section 14.12 [*content and delivery of trade confirmation*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (q) if the registered firm complies with the corresponding IIROC Provisions that are in effect.

(2) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from the following provisions:

(a) section 12.3 [*insurance - dealer*];

(b) section 12.6 [*global bonding or insurance*];

(c) section 12.12 [*delivering financial information - dealer*];

(d) subsection 13.2(3) [*know your client*];

(e) section 13.3 [*suitability*];

(f) section 13.12 [*restriction on lending to clients*];

(g) section 13.13 [*disclosure when recommending the use of borrowed money*];

(h) section 13.15 [*handling complaints*];

(i) subsection 14.2(2) [*relationship disclosure information*];

(j) section 14.6 [*holding client assets in trust*];

(k) section 14.8 [*securities subject to a safekeeping agreement*];

(l) section 14.9 [*securities not subject to a safekeeping agreement*];

(m) section 14.12 [*content and delivery of trade confirmation*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (m) if the registered firm complies with the corresponding IIROC Provisions that are in effect.

(3) A registered firm that is a member of the MFDA is exempt from each requirement listed in subsection (1) that applies to a mutual fund dealer other than the following:

(a) subsection 13.2(3) [*know your client*];

(b) section 13.12 [*restriction on lending to clients*].

(4) Despite subsection (3), if a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is not exempt from the following requirements:

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.7 [*notifying the regulator of a change, claim or cancellation*];

(d) section 12.10 [*annual financial statements*];

(e) section 12.11 [*interim financial information*].

(5) Subsection (3) does not apply in Québec.

(6) In Québec, the requirements listed in subsection (1), other than subsection 13.2(3) [*know your client*] and section 13.12 [*restriction on lending to clients*] do not apply to a mutual fund dealer if the registrant complies with the applicable regulations on mutual fund dealer in Québec.

9.4 Exemptions from certain requirements for MFDA members

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a registered firm that is a member of the MFDA is exempt from the following provisions

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.3 [*insurance - dealer*];

(d) section 12.6 [*global bonding or insurance*];

(e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];

(f) section 12.10 [*annual financial statements*];

(g) section 12.11 [*interim financial information*];

(h) section 12.12 [*delivering financial information - dealer*];

(i) section 13.3 [*suitability*];

(j) section 13.12 [*restriction on lending to clients*];

(k) section 13.13 [*disclosure when recommending the use of borrowed money*];

(l) section 13.15 [*handling complaints*];

(m) subsection 14.2(2) [*relationship disclosure information*];

(n) section 14.6 [*holding client assets in trust*];

(o) section 14.8 [*securities subject to a safekeeping agreement*];

(p) section 14.9 [*securities not subject to a safekeeping agreement*];

(q) section 14.12 [*content and delivery of trade confirmation*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (q) if the registered firm complies with the corresponding MFDA Provisions that are in effect.

(2) If a registered firm is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or investment fund manager, the firm is exempt from the following provisions:

(a) section 12.3 [*insurance - dealer*];

(b) section 12.6 [*global bonding or insurance*];

(c) section 13.3 [*suitability*];

(d) section 13.12 [*restriction on lending to clients*];

(e) section 13.13 [*disclosure when recommending the use of borrowed money*];

(f) section 13.15 [*handling complaints*];

(g) subsection 14.2(2) [*relationship disclosure information*];

(h) section 14.6 [*holding client assets in trust*];

(i) section 14.8 [*securities subject to a safekeeping agreement*];

(j) section 14.9 [*securities not subject to a safekeeping agreement*];

(k) section 14.12 [*content and delivery of trade confirmation*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (k) if the registered firm complies with the corresponding MFDA Provisions that are in effect.

(3) Subsections (1) and (2) do not apply in Québec.

(4) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.

PART 10 SUSPENSION AND REVOCATION OF REGISTRATION - FIRMS

Division 1 When a firm's registration is suspended

10.1 Failure to pay fees

(1) In this section, **"annual fees"** means:

(a) in Alberta, the fees required under section 2.1 of the Schedule - Fees in Alta. Reg. 115/95 – Securities Regulation;

(b) in British Columbia, the annual fees required under section 22 of the Securities Regulation, B.C. Reg. 196/97;

(c) in Manitoba, the fees required under paragraph 1.(2)(a) of the *Manitoba Fee Regulation*, M.R 491\88R;

(d) in New Brunswick, the fees required under section 2.2 (c) of Local Rule 11-501 *Fees*;

(e) in Newfoundland and Labrador, the fees required under section 143 of the *Securities Act*;

(f) in Nova Scotia, the fees required under Part XIV of the Regulations;

(g) in Northwest Territories, the fees required under sections 1(c) and 1(e) of the Securities Fee regulations, R-066-2008;

(h) in Nunavut, the fees required under section 1(a) of the Schedule to R-003-2003 to the Securities Fee regulation, R.R.N.W.T. 1990, c.20;

(i) in Prince Edward Island, the fees required under section 175 of the *Securities Act* R.S.P.E.I., Cap. S-3.1;

(j) in Québec, the fees required under section 271.5 of the Québec Securities Regulation;

(k) in Saskatchewan, the annual registration fees required to be paid by a registrant under section 176 of *The Securities Regulations* (Saskatchewan); and

(l) in Yukon, the fees required under O.I.C. 2009\66, pursuant to section 168 of the *Securities Act*.

(2) If a registered firm has not paid the annual fees by the 30th day after the date the annual fees were due, the registration of the firm is suspended until reinstated or revoked under securities legislation.

10.2 If IIROC membership is revoked or suspended

If IIROC revokes or suspends a registered firm's membership, the firm's registration in the category of investment dealer is suspended until reinstated or revoked under securities legislation.

10.3 If MFDA membership is revoked or suspended

Except in Québec, if the MFDA revokes or suspends a registered firm's membership, the firm's registration in the category of mutual fund dealer is suspended until reinstated or revoked under securities legislation.

10.4 Activities not permitted while a firm"s registration is suspended

If a registered firm's registration in a category is suspended, the firm must not act as a dealer, an underwriter, an adviser, or an investment fund manager, as the case may be, under that category.

Division 2 Revoking a firm's registration

10.5 Revocation of a suspended registration – firm

If a registration has been suspended under this Part and it has not been reinstated, the registration is revoked on the 2nd anniversary of the suspension.

10.6 Exception for firms involved in a hearing or proceeding

Despite section 10.5, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant's registration remains suspended.

10.7 Application of Part 10 in Ontario

Other than section 10.4 [*activities not permitted while a firm's registration is suspended*], this Part does not apply in Ontario.

Note: In Ontario, measures governing suspension in section 29 of the *Securities Act* (Ontario) are similar to those in Parts 6 and 10.

PART 11 INTERNAL CONTROL AND SYSTEMS

Division 1 Compliance

11.1 Compliance system

A registered firm must establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to:

(a) provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation; and

(b) manage the risks associated with its business in accordance with prudent business practices.

11.2 Designating an ultimate designated person

(1) A registered firm must designate an individual who is registered under securities legislation in the category of ultimate designated person to perform the functions described in section 5.1 [*responsibilities of the ultimate designated person*].

(2) A registered firm must designate an individual under subsection (1) who is one of the following:

(a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;

(b) the sole proprietor of the registered firm;

(c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.

(3) If an individual who is registered as a registered firm's ultimate designated person ceases to meet any of the conditions listed in subsection (2), the registered firm must designate another individual to act as its ultimate designated person.

11.3 Designating a chief compliance officer

(1) A registered firm must designate an individual who is registered under securities legislation in the category of chief compliance officer to perform the functions described in section 5.2 [*responsibilities of the chief compliance officer*].

(2) A registered firm must not designate an individual to act as the firm's chief compliance officer unless the individual has satisfied the applicable conditions in Part 3 [*registration requirements – individuals*] and the individual is one of the following:

(a) an officer or partner of the registered firm;

(b) the sole proprietor of the registered firm.

(3) If an individual who is registered as a registered firm's chief compliance officer ceases to meet any of the conditions listed in subsection (2), the registered firm must designate another individual to act as its chief compliance officer.

11.4 Providing access to the board of directors

A registered firm must permit its ultimate designated person and its chief compliance officer to directly access the firm's board of directors, or individuals acting in a similar capacity for the firm, at such times as the ultimate designated person or the chief compliance officer may consider necessary or advisable in view of his or her responsibilities.

Division 2 Books and records

11.5 General requirements for records

(1) A registered firm must maintain records to:

(a) accurately record its business activities, financial affairs, and client transactions; and

(b) demonstrate the extent of the firm's compliance with applicable requirements of securities legislation.

(2) The records required under subsection (1) include, but are not limited to, records that do the following:

(a) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to the securities regulatory authority;

(b) permit determination of the registered firm's capital position;

(c) demonstrate compliance with the registered firm's capital and insurance requirements;

(d) demonstrate compliance with internal control procedures;

(e) demonstrate compliance with the firm's policies and procedures;

(f) permit the identification and segregation of client cash, securities, and other property;

(g) identify all transactions conducted on behalf of the registered firm and each of its clients, including the parties to the transaction and the terms of the purchase or sale;

(h) provide an audit trail for:

(i) client instructions and orders; and

(ii) each trade transmitted or executed for a client or by the registered firm on its own behalf;

(i) permit the generation of account activity reports for clients;

(j) provide securities pricing as may be required by securities legislation;

(k) document the opening of client accounts, including any agreements with clients;

(l) demonstrate compliance with sections 13.2 [*know your client*] and 13.3 [*suitability*];

(m) demonstrate compliance with complaint-handling requirements;

(n) document correspondence with clients;

(o) document compliance and supervision actions taken by the firm.

11.6 Form, accessibility and retention of records

(1) A registered firm must keep a record that it is required to keep under securities legislation:

(a) for 7 years from the date the record is created;

(b) in a safe location and in a durable form; and

(c) in a manner that permits it to be provided to the regulator or, in Québec, the securities regulatory authority in a reasonable period of time.

(2) A record required to be provided to the regulator or, in Québec, the securities regulatory authority must be provided in a format that is capable of being read by the regulator or the securities regulatory authority.

(3) Paragraph (1)(c) does not apply in Ontario.

Note: In Ontario, how quickly a registered firm is required to provide information to the regulator is addressed in subsection 19(3) of the *Securities Act* (Ontario).

Division 3 Certain business transactions

11.7 Tied settling of securities transactions

A registered firm must not require a person or company to settle that person's or company's transaction with the registered firm through that person's or company's account at a Canadian financial institution as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless this method of settlement would be, to a reasonable person, necessary to provide the specific product or service that the person or company has requested.

11.8 Tied selling

A dealer, adviser or investment fund manager must not require another person or company:

(a) to buy, sell or hold a security as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying or continuing to supply a product or service; or

(b) to buy, sell or use a product or service as a condition, or on terms that would appear to a reasonable person to be a condition, of buying or selling a security.

11.9 Registrant acquiring a registered firm's securities or assets

(1) A registrant must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it proposes to acquire any of the following:

(a) beneficial ownership of, or direct or indirect control or direction over, a security of a registered firm;

(b) beneficial ownership of, or direct or indirect control or direction over, a security of a person or company of which a registered firm is a subsidiary;

(c) all or a substantial part of the assets of a registered firm.

(2) The notice required under subsection (1) must be delivered to the regulator or, in Québec, the securities regulatory authority at least 30 days before the proposed acquisition and must include all relevant facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority to determine if the acquisition is:

(a) likely to give rise to a conflict of interest;

(b) likely to hinder the registered firm in complying with securities legislation;

(c) inconsistent with an adequate level of investor protection; or

(d) otherwise prejudicial to the public interest.

(3) Subsection (1) does not apply to the following:

(a) a proposed acquisition if the beneficial ownership of, or direct or indirect control or direction over, the person or company whose security is to be acquired will not change;

(b) a registrant who, alone or in combination with any other person or company, proposes to acquire securities that, together with the securities already beneficially owned, or over which direct or indirect control or direction is already exercised, do not exceed more than 10% of any class or series of securities.

(4) Except in Ontario and British Columbia, if, within 30 days of the regulator's, or, in Québec, the securities regulatory authority's receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the registrant making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.

(5) In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a) or (c), the regulator notifies the registrant making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(6) Following receipt of a notice of objection under subsection (4) or (5), the person or company who submitted the notice to the regulator or, in Québec, the securities regulatory authority may request an opportunity to be heard on the matter.

11.10 Registered firm whose securities are acquired

(1) A registered firm must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it knows or has reason to believe that any person or company, alone or in combination with any other person or company, is about to acquire, or has acquired, beneficial ownership of, or direct or indirect control or direction over, 10% or more of any class or series of voting securities of any of the following:

(a) the registered firm;

(b) a person or company of which the registered firm is a subsidiary.

(2) The notice required under subsection (1) must:

(a) be delivered to the regulator or, in Québec, the securities regulatory authority as soon as possible;

(b) include the name of each person or company involved in the acquisition; and

(c) after the registered firm has applied reasonable efforts to gather all relevant facts, include facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority to determine if the acquisition is:

(i) likely to give rise to a conflict of interest;

(ii) likely to hinder the registered firm in complying with securities legislation;

(iii) inconsistent with an adequate level of investor protection; or

(iv) otherwise prejudicial to the public interest.

(3) This section does not apply to an acquisition in which the beneficial ownership of, or direct or indirect control or direction over, a registered firm does not change.

(4) This section does not apply if notice of the acquisition was provided under section 11.9 [*registrant acquiring a registered firm's securities or assets*].

(5) Except in British Columbia and Ontario, if, within 30 days of the regulator's or, in Québec, the securities regulatory authority's receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the person or company making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.

(6) In Ontario, if, within 30 days of the regulator's receipt of a notice under section (1), the regulator notifies the person or company making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(7) Following receipt of a notice of objection under subsection (5) or (6), the person or company proposing to make the acquisition may request an opportunity to be heard on the matter.

PART 12 FINANCIAL CONDITION

Division 1 Working capital

12.1 Capital requirements

(1) If, at any time, the excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 Calculation of Excess Working Capital, is less than zero, the registered firm must notify the regulator or, in Québec, the securities regulatory authority as soon as possible.

(2) The excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, must not be less than zero for 2 consecutive days.

(3) For the purpose of completing Form 31-103F1 *Calculation of Excess Working Capital*, the minimum capital is:

(a) $25,000, for a registered adviser that is not also a registered dealer or a registered investment fund manager;

(b) $50,000, for a registered dealer that is not also a registered investment fund manager; and

(c) $100,000, for a registered investment fund manager.

(4) Paragraph (3)(c) does not apply to a registered investment fund manager that is exempt from the dealer registration requirement under section 8.6 [*investment fund trades by adviser to managed account*] in respect of all investment funds for which it acts as adviser.

(5) This section does not apply to a registered firm that is a member of IIROC and is registered as an investment fund manager if all of the following apply:

(a) the firm has a minimum capital of not less than $100,000 as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

(6) This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:

(a) the firm has a minimum capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, of not less than:

(i) $50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer;

(ii) $100,000, if the firm is registered as an investment fund manager;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

12.2 Notifying the regulator or the securities regulatory authority of a subordination agreement

If a registered firm has executed a subordination agreement, the effect of which is to exclude an amount from its long-term related party debt as calculated on Form 31-103F1 *Calculation of Excess Working Capital*, the firm must notify the regulator or, in Québec, the securities regulatory authority 10 days before it:

(a) repays the loan or any part of the loan; or

(b) terminates the agreement.

Division 2 Insurance

12.3 Insurance – dealer

(1) A registered dealer must maintain bonding or insurance:

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*]; and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

(2) A registered dealer must maintain bonding or insurance in respect of each clause set out in Appendix A in the highest of the following amounts for each clause:

(a) $50,000 per employee, agent and dealing representative or $200,000, whichever is less;

(b) one per cent of the total client assets that the dealer holds or has access to, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(c) one per cent of the dealer's total assets, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(d) the amount determined to be appropriate by a resolution of the dealer's board of directors, or individuals acting in a similar capacity for the firm.

(3) In Québec, this section does not apply to a scholarship plan dealer or a mutual fund dealer registered only in Québec.

12.4 Insurance – adviser

(1) A registered adviser must maintain bonding or insurance:

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*]; and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

(2) A registered adviser that does not hold or have access to client assets must maintain bonding or insurance in respect of each clause set out in Appendix A in the amount of $50,000 for each clause.

(3) A registered adviser that holds or has access to client assets must maintain bonding or insurance in respect of each clause set out in Appendix A in the highest of the following amounts for each clause:

(a) one per cent of assets under management that the adviser holds or has access to, as calculated using the adviser's most recent financial records, or $25,000,000, whichever is less;

(b) one per cent of the adviser's total assets, as calculated using the adviser's most recent financial records, or $25,000,000, whichever is less;

(c) $200,000;

(d) the amount determined to be appropriate by a resolution of the adviser's board of directors or individuals acting in a similar capacity for the firm.

12.5 Insurance – investment fund manager

(1) A registered investment fund manager must maintain bonding or insurance:

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*]; and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

(2) A registered investment fund manager must maintain bonding or insurance in respect of each clause set out in Appendix A in the highest of the following amounts for each clause:

(a) one per cent of assets under management, as calculated using the investment fund manager's most recent financial records, or $25,000,000, whichever is less;

(b) one per cent of the investment fund manager's total assets, as calculated using the investment fund manager's most recent financial records, or $25,000,000, whichever is less;

(c) $200,000;

(d) the amount determined to be appropriate by a resolution of the investment fund manager's board of directors or individuals acting in a similar capacity for the firm.

12.6 Global bonding or insurance

A registered firm may not maintain bonding or insurance under this Division that benefits, or names as an insured, another person or company unless the bond provides, without regard to the claims, experience or any other factor referable to that other person or company, the following:

(a) the registered firm has the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of those losses must be made directly to the registered firm;

(b) the individual or aggregate limits under the policy may only be affected by claims made by or on behalf of:

(i) the registered firm; or

(ii) a subsidiary of the registered firm whose financial results are consolidated with those of the registered firm.

12.7 Notifying the regulator or the securities regulatory authority of a change, claim or cancellation

A registered firm must, as soon as possible, notify the regulator or, in Québec, the securities regulatory authority in writing of any change in, claim made under, or cancellation of any insurance policy required under this Division.

Division 3 Audits

12.8 Direction by the regulator or the securities regulatory authority to conduct an audit or review

A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator or, in Québec, the securities regulatory authority during its registration and must deliver a copy of the direction to the regulator or the securities regulatory authority:

(a) with its application for registration; and

(b) no later than the 10th day after the registered firm changes its auditor.

12.9 Co-operating with the auditor

A registrant must not withhold, destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by an auditor of the registered firm in the course of an audit.

Division 4 Financial reporting

12.10 Annual financial statements

(1) Annual financial statements delivered to the regulator or, in Québec, the securities regulatory authority under this Division for financial years beginning on or after January 1, 2011 must include the following:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

(b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

(c) notes to the financial statements.

(2) The annual financial statements delivered to the regulator or, in Québec, the securities regulatory authority under this Division must be audited.

(3) **Repealed.** 8 Jly 2011 SR 41/2011 s24.

12.11 Interim financial information

(1) Interim financial information delivered to the regulator or, in Québec, the securities regulatory authority under this Division for interim periods relating to financial years beginning on or after January 1, 2011 may be limited to the following:

(a) a statement of comprehensive income for the 3-month period ending on the last day of the interim period and for the same period of the immediately preceding financial year, if any;

(b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the interim period and as at the end of the same interim period of the immediately preceding financial year, if any.

(2) The interim financial information delivered to the regulator or, in Québec, the securities regulatory authority under this Division must be prepared using the same accounting principles that the registered firm uses to prepare its annual financial statements.

12.12 Delivering financial information – dealer

(1) A registered dealer must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the dealer's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any.

(2) A registered dealer must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 30th day after the end of the first, second and third interim period of its financial year:

(a) its interim financial information for the interim period;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the dealer's excess working capital as at the end of the interim period and as at the end of the immediately preceding interim period, if any.

(2.1) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:

(a) the firm has a minimum capital of not less than $50,000 as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than 90 days after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 MFDA Financial Questionnaire and Report, no later than 30 days after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(3) Subsection (2) does not apply to an exempt market dealer unless it is also registered in another category.

12.13 Delivering financial information – adviser

A registered adviser must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the adviser's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any.

12.14 Delivering financial information – investment fund manager

(1) A registered investment fund manager must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the investment fund manager's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;

(c) a description of any net asset value adjustment made in respect of an investment fund managed by the investment fund manager during the financial year.

(2) A registered investment fund manager must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 30th day after the end of the first, second and third interim period of its financial year:

(a) its interim financial information for the interim period;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the investment fund manager's excess working interim period as at the end of the interim period and as at the end of the immediately preceding interim period, if any;

(c) a description of any net asset value adjustment made in respect of an investment fund managed by the investment fund manager during the interim period.

(3) A description of a net asset value adjustment referred to in this section must include the following:

(a) the name of the fund;

(b) assets under administration of the fund;

(c) the cause of the adjustment;

(d) the dollar amount of the adjustment;

(e) the effect of the adjustment on net asset value per unit or share and any corrections made to purchase and sale transactions affecting either the investment fund or security holders of the investment fund.

(4) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if:

(a) the firm has a minimum capital of not less than $100,000, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than 90 days after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any; and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than 30 days after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(5) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if:

(a) the firm has a minimum capital of not less than $100,000, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than 90 days after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any; and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than 30 days after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

12.15 Exemptions for financial years beginning in 2011

(1) Despite subsections 12.10(1), 12.11(1), 12.12(1) and (2), 12.13 and 12.14(1) and (2), the annual financial statements, the interim financial information, and the completed Form 31-103F1 Calculation of Excess Working Capital, for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial period.

(2) Despite subsection 12.12(2), the first interim financial information, and the first completed Form 31-103F1 Calculation of Excess Working Capital, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.

(3) Despite subsection 12.14(2), the first interim financial information, the first completed Form 31-103F1 Calculation of Excess Working Capital, and the description of any net asset value adjustment, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.

PART 13 DEALING WITH CLIENTS - INDIVIDUALS AND FIRMS

Division 1 Know your client and suitability

13.1 Investment fund managers exempt from this Division

This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.

13.2 Know your client

(1) For the purpose of paragraph 2(b) in Ontario, Nova Scotia and New Brunswick, "insider" has the meaning ascribed to that term in the *Securities Act* except that "reporting issuer", as it appears in the definition of "insider", is to be read as "reporting issuer or any other issuer whose securities are publicly traded".

(2) A registrant must take reasonable steps to:

(a) establish the identity of a client and, if the registrant has cause for concern, make reasonable inquiries as to the reputation of the client;

(b) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded;

(c) ensure that it has sufficient information regarding all of the following to enable it to meet its obligations under section 13.3 or, if applicable, the suitability requirement imposed by an SRO:

(i) the client's investment needs and objectives;

(ii) the client's financial circumstances;

(iii) the client's risk tolerance; and

(iv) establish the creditworthiness of the client if the registered firm is financing the client's acquisition of a security.

(3) For the purpose of establishing the identity of a client that is a corporation, partnership or trust, the registrant must establish the following:

(a) the nature of the client's business;

(b) the identity of any individual who:

(i) in the case of a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation; or

(ii) in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

(4) A registrant must take reasonable steps to keep the information required under this section current.

(5) This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

(6) Paragraph (2)(c) does not apply to a registrant in respect of a permitted client if:

(a) the permitted client has waived, in writing, the requirements under subsections 13.3(1) and (2); and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

(7) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and (2)(c).

13.3 Suitability

(1) A registrant must take reasonable steps to ensure that, before it makes a recommendation to or accepts an instruction from a client to buy or sell a security, or makes a purchase or sale of a security for a client's managed account, the purchase or sale is suitable for the client.

(2) If a client instructs a registrant to buy, sell or hold a security and in the registrant's reasonable opinion following the instruction would not be suitable for the client, the registrant must inform the client of the registrant's opinion and must not buy or sell the security unless the client instructs the registrant to proceed nonetheless.

(3) This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

(4) This section does not apply to a registrant in respect of a permitted client if:

(a) the permitted client has waived, in writing, the requirements under this section; and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

Division 2 Conflicts of interest

13.4 Identifying and responding to conflicts of interest

(1) A registered firm must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that the registered firm in its reasonable opinion would expect to arise, between the firm, including each individual acting on the firm's behalf, and a client.

(2) A registered firm must respond to an existing or potential conflict of interest identified under subsection (1).

(3) If a reasonable investor would expect to be informed of a conflict of interest identified under subsection (1), the registered firm must disclose, in a timely manner, the nature and extent of the conflict of interest to the client whose interest conflicts with the interest identified.

(4) This section does not apply to an investment fund manager in respect of an investment fund that is subject to National Instrument 81-107 *Independent Review Committee for Investment Funds*.

13.5 Restrictions on certain managed account transactions

(1) In this section, **"responsible person"** means, for a registered adviser:

(a) the adviser;

(b) a partner, director or officer of the adviser; and

(c) each of the following who has access to, or participates in formulating, an investment decision made on behalf of a client of the adviser or advice to be given to a client of the adviser:

(i) an employee or agent of the adviser;

(ii) an affiliate of the adviser;

(iii) a partner, director, officer, employee or agent of an affiliate of the adviser.

(2) A registered adviser must not knowingly cause an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to do any of the following:

(a) purchase a security of an issuer in which a responsible person or an associate of a responsible person is a partner, officer or director unless:

(i) this fact is disclosed to the client; and

(ii) the written consent of the client to the purchase is obtained before the purchase;

(b) purchase or sell a security from or to the investment portfolio of any of the following:

(i) a responsible person;

(ii) an associate of a responsible person;

(iii) an investment fund for which a responsible person acts as an adviser;

(c) provide a guarantee or loan to a responsible person or an associate of a responsible person.

13.6 Disclosure when recommending related or connected securities

A registered firm must not make a recommendation in any medium of communication to buy, sell or hold a security issued by the registered firm, a security of a related issuer or, during the security's distribution, a security of a connected issuer of the registered firm, unless any of the following apply:

(a) the firm discloses, in the same medium of communication, the nature and extent of the relationship or connection between the firm and the issuer;

(b) the recommendation is in respect of a security of a mutual fund, a scholarship plan, an educational plan or an educational trust that is an affiliate of, or is managed by an affiliate of, the registered firm and the names of the registered firm and the fund, plan or trust, as the case may be, are sufficiently similar to indicate that they are affiliated.

Division 3 Referral arrangements

13.7 Definitions – referral arrangements

In this Division:

"client" includes a prospective client;

"referral arrangement" means any arrangement in which a registrant agrees to pay or receive a referral fee;

"referral fee" means any form of compensation, direct or indirect, paid for the referral of a client to or from a registrant.

13.8 Permitted referral arrangements

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company unless:

(a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between the registered firm and the person or company;

(b) the registered firm records all referral fees; and

(c) the registrant ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

13.9 Verifying the qualifications of the person or company receiving the referral

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer a client to another person or company unless the firm first takes reasonable steps to satisfy itself that the person or company has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.

13.10 Disclosing referral arrangements to clients

(1) The written disclosure of the referral arrangement required by subsection 13.8(c) [*permitted referral arrangements*] must include the following:

(a) the name of each party to the agreement referred to in paragraph 13.8(a);

(b) the purpose and material terms of the agreement, including the nature of the services to be provided by each party;

(c) any conflicts of interest resulting from the relationship between the parties to the agreement and from any other element of the agreement;

(d) the method of calculating the referral fee and, to the extent possible, the amount of the fee;

(e) the category of registration of each registrant that is a party to the agreement with a description of the activities that the registrant is authorized to engage in under that category and, giving consideration to the nature of the referral, the activities that the registrant is not permitted to engage in;

(f) if a referral is made to a registrant, a statement that all activity requiring registration resulting from the referral arrangement will be provided by the registrant receiving the referral;

(g) any other information that a reasonable client would consider important in evaluating the referral arrangement.

(2) If there is a change to the information set out in subsection (1), the registrant must ensure that written disclosure of that change is provided to each client affected by the change as soon as possible and no later than the 30th day before the date on which a referral fee is next paid or received.

13.11 Referral arrangements before this Instrument came into force

(1) This Division applies to a referral arrangement entered into before this Instrument came into force if a referral fee is paid under the referral arrangement after this Instrument comes into force.

(2) Subsection (1) does not apply until 6 months after this Instrument comes into force.

Division 4 Loans and margin

13.12 Restriction on lending to clients

(1) A registrant must not lend money, extend credit or provide margin to a client.

(2) Despite subsection (1), an investment fund manager may lend money on a short term basis to an investment fund it manages, if the loan is for the purpose of funding redemptions of its securities or meeting expenses incurred by the investment fund in the normal course of its business.

13.13 Disclosure when recommending the use of borrowed money

(1) If a registrant recommends that a client should use borrowed money to finance any part of a purchase of a security, the registrant must, before the purchase, provide the client with a written statement that is substantially similar to the following:

"Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines."

(2) Subsection (1) does not apply if one of the following applies:

(a) the registrant has provided the client with the statement described under subsection (1) no earlier than the 180th day before the date of the proposed purchase;

(b) **Repealed.** 5 Aug 2011 SR 48/2011 s9.

(c) the client is a permitted client.

Division 5 Complaints

13.14 Application of this Division

(1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.

(2) In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec).

13.15 Handling complaints

A registered firm must document and, in a manner that a reasonable investor would consider fair and effective, respond to each complaint made to the registered firm about any product or service offered by the firm or a representative of the firm.

13.16 Dispute resolution service

(1) A registered firm must ensure that independent dispute resolution or mediation services are made available, at the firm's expense, to a client to resolve a complaint made by the client about any trading or advising activity of the firm or one of its representatives.

(2) If a person or company makes a complaint to a registered firm about any trading or advising activity of the firm or one of its representatives, the registered firm must as soon as possible inform the person or company of how to contact and use the dispute resolution or mediation services which are provided to the firm's clients.

PART 14 HANDLING CLIENT ACCOUNTS - FIRMS

Division 1 Exemption for investment fund managers

14.1 Investment fund managers exempt from Part 14

Other than sections 14.6 [*holding client assets in trust*], 14.12(5) [*content and delivery of trade confirmation*] and 14.14 [*account statements*], this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

Division 2 Disclosure to clients

14.2 Relationship disclosure information

(1) A registered firm must deliver to a client all information that a reasonable investor would consider important about the client's relationship with the registrant.

(2) The information required to be delivered under subsection (1) includes all of the following:

(a) a description of the nature or type of the client's account;

(b) a discussion that identifies the products or services the registered firm offers to a client;

(c) a description of the types of risks that a client should consider when making an investment decision;

(d) a description of the risks to a client of using borrowed money to finance a purchase of a security;

(e) a description of the conflicts of interest that the registered firm is required to disclose to a client under securities legislation;

(f) disclosure of all costs to a client for the operation of an account;

(g) a description of the costs a client will pay in making, holding and selling investments;

(h) a description of the compensation paid to the registered firm in relation to the different types of products that a client may purchase through the registered firm;

(i) a description of the content and frequency of reporting for each account or portfolio of a client;

(j) if section 13.16 applies to the registered firm, disclosure that independent dispute resolution or mediation services are available at the registered firm's expense, to resolve any dispute that might arise between the client and the firm about any trading or advising activity of the firm or one of its representatives;

(k) a statement that the registered firm has an obligation to assess whether a purchase or sale of a security is suitable for a client prior to executing the transaction or at any other time;

(l) the information a registered firm must collect about the client under section 13.2 [*know your client*].

(3) A registered firm must deliver to a client the information in subsection (1) before the firm first:

(a) purchases or sells a security for the client; or

(b) advises the client to purchase, sell or hold a security.

(4) If there is a significant change to the information delivered to a client under subsection (1), the registered firm must take reasonable steps to notify the client of the change in a timely manner and, if possible, before the firm next:

(a) purchases or sells a security for the client; or

(b) advises the client to purchase, sell or hold a security.

(5) This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

(6) This section does not apply to a registrant in respect of a permitted client if:

(a) the permitted client has waived, in writing, the requirements under this section; and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

14.3 Disclosure to clients about the fair allocation of investment opportunities

A registered adviser must deliver to a client a summary of the policies required under section 11.1 [*compliance system*] that provide reasonable assurance that the firm and each individual acting on its behalf complies with section 14.10 [*allocating investment opportunities fairly*] and that summary must be delivered:

(a) when the adviser opens an account for the client; and

(b) if there is a significant change to the summary last delivered to the client, in a timely manner and, if possible, before the firm next:

(i) purchases or sells a security for the client; or

(ii) advises the client to purchase, sell or hold a security.

14.4 When the firm has a relationship with a financial institution

(1) If a registered firm opens a client account to trade in securities, in an office or branch of a Canadian financial institution or a Schedule III bank, the registered firm must give the client a written notice stating that it is a separate legal entity from the Canadian financial institution or Schedule III bank and, unless otherwise advised by the registrant, securities purchased from or through the registrant:

(a) are not insured by a government deposit insurer;

(b) are not guaranteed by the Canadian financial institution or Schedule III bank; and

(c) may fluctuate in value.

(2) A registered firm that is subject to subsection (1) must receive a written confirmation from the client that the client has read and understood the notice before the registered firm:

(a) purchases or sells a security for the client; or

(b) advises the client to purchase, sell or hold a security.

(3) This section does not apply to a registered firm if the client is a permitted client.

14.5 Notice to clients by non-resident registrants

(1) A registered firm whose head office is not located in the local jurisdiction must provide a client in the local jurisdiction with a statement in writing disclosing the following:

(a) the firm is not resident in the local jurisdiction;

(b) the jurisdiction in Canada or the foreign jurisdiction in which the head office or the principal place of business of the firm is located;

(c) all or substantially all of the assets of the firm may be situated outside the local jurisdiction;

(d) there may be difficulty enforcing legal rights against the firm because of the above;

(e) the name and address of the agent for service of process of the firm in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm is registered in the local jurisdiction.

Division 3 Client assets

14.6 Holding client assets in trust

A registered firm that holds client assets must hold the assets:

(a) separate and apart from its own property;

(b) in trust for the client; and

(c) in the case of cash, in a designated trust account at a Canadian financial institution, a Schedule III bank, or a member of IIROC.

14.7 Holding client assets – non-resident registrants

(1) A registered firm whose head office is not located in a jurisdiction of Canada must ensure that all client assets are held:

(a) in the client's name;

(b) on behalf of the client by a custodian or sub-custodian that:

(i) meets the guidelines prescribed for acting as a sub-custodian of the portfolio securities of a mutual fund in Part 6 of National Instrument 81-102 *Mutual Funds*; and

(ii) is subject to the Bank for International Settlements' framework for international convergence of capital measurement and capital standards; or

(c) on behalf of the client by a registered dealer that is a member of an SRO and that is a member of Canadian Investor Protection Fund or other comparable compensation fund or contingency trust fund.

(2) Section 14.6 [*holding client assets in trust*] does not apply to a registered firm that is subject to subsection (1).

14.8 Securities subject to a safekeeping agreement

A registered firm that holds unencumbered securities for a client under a written safekeeping agreement must:

(a) segregate the securities from all other securities;

(b) identify the securities as being held in safekeeping for the client in:

(i) the registrant's security position record;

(ii) the client's ledger; and

(iii) the client's statement of account; and

(c) release the securities only on an instruction from the client.

14.9 Securities not subject to a safekeeping agreement

(1) A registered firm that holds unencumbered securities for a client other than under a written safekeeping agreement must:

(a) segregate and identify the securities as being held in trust for the client; and

(b) describe the securities as being held in segregation on:

(i) the registrant's security position record;

(ii) the client's ledger; and

(iii) the client's statement of account.

(2) Securities described in subsection (1) may be segregated in bulk.

Division 4 Client accounts

14.10 Allocating investment opportunities fairly

A registered adviser must ensure fairness in allocating investment opportunities among its clients.

14.11 Selling or assigning client accounts

If a registered firm proposes to sell or assign a client's account in whole or in part to another registrant, the registered firm must, prior to the sale or assignment, give a written explanation of the proposal to the client and inform the client of the client's right to close the client's account.

Division 5 Account activity reporting

14.12 Content and delivery of trade confirmation

(1) A registered dealer that has acted on behalf of a client in connection with a purchase or sale of a security must promptly deliver to the client or, if the client consents in writing, to a registered adviser acting for the client a written confirmation of the transaction, setting out the following:

(a) the quantity and description of the security purchased or sold;

(b) the price per security paid or received by the client;

(c) the commission, sales charge, service charge and any other amount charged in respect of the transaction;

(d) whether the registered dealer acted as principal or agent;

(e) the date and the name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day;

(f) the name of the dealing representative, if any, in the transaction;

(g) the settlement date of the transaction;

(h) if applicable, that the security is a security of the registrant, a security of a related issuer of the registrant or, if the transaction occurred during the security's distribution, a security of a connected issuer of the registered dealer.

(2) If a transaction under subsection (1) involved more than one transaction or if the transaction took place on more than one marketplace the information referred to in subsection (1) may be set out in the aggregate if the confirmation also contains a statement that additional details concerning the transaction will be provided to the client upon request and without additional charge.

(3) Paragraph (1)(h) does not apply if all of the following apply:

(a) the security is a security of a mutual fund that is established and managed by the registered dealer or by an affiliate of the registered dealer, in its capacity as investment fund manager of the mutual fund;

(b) the names of the dealer and the mutual fund are sufficiently similar to indicate that they are affiliated or related.

(4) For the purpose of paragraph (1)(f), a dealing representative may be identified by means of a code or symbol if the confirmation also contains a statement that the name of the dealing representative will be provided to the client on request of the client.

(5) A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

(a) the quantity and description of the security redeemed;

(b) the price per security received by the client;

(c) the commission, sales charge, service charge and any other amount charged in respect of the redemption;

(d) the settlement date of the redemption.

(6) Section 14.12 (5) does not apply to trades in a security of an investment fund made on reliance on section 8.6.

14.13 Confirmations for certain automatic plans

The requirement under section 14.12 [*content and delivery of trade confirmation*] to deliver a confirmation promptly does not apply to a registered dealer in respect of a transaction if all of the following apply:

(a) the client gave the dealer prior written notice that the transaction is made pursuant to the client's participation in an automatic payment plan, including a dividend reinvestment plan, or an automatic withdrawal plan in which a transaction is made at least monthly;

(b) the registered dealer delivered a confirmation as required under section 14.12 [*content and delivery of trade confirmation*] for the first transaction made under the plan after receiving the notice referred to in paragraph (a);

(c) the transaction is in a security of a mutual fund, scholarship plan, educational plan or educational trust;

(d) **Repealed.** 5 Aug 2011 SR 48/2011 s9.

14.14 Account statements

(1) A registered dealer must deliver a statement to a client at least once every 3 months.

(2) Despite subsection (1), a registered dealer must deliver a statement to a client at the end of a month if any of the following apply:

(a) the client has requested receiving statements on a monthly basis;

(b) during the month, a transaction was effected in the account other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan.

(2.1) Subsection (2) does not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in section 7.1(2)(b).

(3) Except if the client has otherwise directed, a registered adviser must deliver a statement to a client at least once every 3 months.

(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months.

(4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:

(a) the date of the transaction;

(b) the type of transaction;

(c) the name of the security;

(d) the number of securities;

(e) the price per security;

(f) the total value of the transaction.

(5) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client's or security holder's account as at the end of the period for which the statement is made:

(a) the name and quantity of each security in the account;

(b) the market value of each security in the account;

(c) the total market value of each security position in the account;

(d) any cash balance in the account;

(e) the total market value of all cash and securities in the account.

(6) Subsections (1) and (2) do not apply to a scholarship plan dealer if both of the following apply:

(a) the dealer is not registered in another dealer or adviser category;

(b) the dealer delivers to the client a statement at least once every 12 months that provides the information required in subsections (4) and (5).

PART 15 GRANTING AN EXEMPTION

15.1 Who can grant an exemption

(1) The regulator in Québec or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 16 TRANSITION

16.1 Change of registration categories – individuals

On the day this Instrument comes into force, an individual registered in a category referred to in:

(a) column 1 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as a dealing representative;

(b) column 2 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as an advising representative; and

(c) column 3 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as an associate advising representative.

16.2 Change of registration categories – firms

On the day this Instrument comes into force, a person or company registered in a category referred to in:

(a) column 1 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as an investment dealer;

(b) column 2 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a mutual fund dealer;

(c) column 3 of Appendix D *[new category names – firms*], opposite the name of the local jurisdiction, is registered as a scholarship plan dealer;

(d) column 4 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a restricted dealer;

(e) column 5 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a portfolio manager; and

(f) column 6 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a restricted portfolio manager.

16.3 Change of registration categories – limited market dealers

(1) This section applies in Ontario and Newfoundland and Labrador.

(2) On the day this Instrument comes into force, a person or company registered as a limited market dealer is registered as an exempt market dealer.

(3) On the day this Instrument comes into force, an individual registered to trade on behalf of a limited market dealer is registered as a dealing representative of the dealer.

(4) Sections 12.1 [*capital requirements*] and 12.2 [*notifying the regulator of a subordination agreement*] do not apply to a person or company registered as an exempt market dealer under subsection (2) until one year after this Instrument comes into force.

(5) Sections 12.3 [*insurance – dealer*] and 12.7 [*notifying the regulator of a change, claim or cancellation*] do not apply to a person or company registered as an exempt market dealer under subsection (2) until 6 months after this Instrument comes into force.

16.4 Registration for investment fund managers active when this Instrument comes into force

(1) The requirement to register as an investment fund manager does not apply to a person or company that is acting as an investment fund manager on the day this Instrument comes into force:

(a) until one year after this Instrument comes into force; or

(b) if the person or company applies for registration as an investment fund manager within one year after this Instrument comes into force, until the regulator or, in Québec, the securities regulatory authority has accepted or refused the registration.

(2) Subsection (1) is repealed one year after this Instrument comes into force.

(3) Section 12.5 [*insurance – investment fund manager*] does not apply to a registered dealer or a registered adviser that is acting as an investment fund manager on the day this Instrument comes into force.

(4) Subsection (3) is repealed one year after this Instrument comes into force.

16.5 Temporary exemption for Canadian investment fund manager registered in its principal jurisdiction

(1) A person or company is not required to register in the local jurisdiction as an investment fund manager if it is registered, or has applied for registration, as an investment fund manager in the jurisdiction of Canada in which its head office is located.

(2) Subsection (1) is repealed on September 28, 2012.

16.6 Temporary exemption for foreign investment fund managers

(1) The investment fund manager registration requirement does not apply to a person or company that is acting as an investment fund manager if its head office is in not in a jurisdiction of Canada.

(2) Subsection (1) is repealed on September 28, 2012.

16.7 Registration of exempt market dealers

(1) This section does not apply in Ontario and Newfoundland and Labrador.

(2) In this section, "the exempt market' means those trading and underwriting activities listed in subparagraph 7.1(2)(d) [*dealer categories*].

(3) The requirement to register as an exempt market dealer does not apply to a person or company that acts as a dealer in the exempt market on the day this Instrument comes into force:

(a) until one year after this Instrument comes into force; or

(b) if the person or company applies for registration as an exempt market dealer within one year after this Instrument comes into force, until the regulator or, in Québec, the securities regulatory authority has accepted or refused the registration.

(4) The requirement to register as a dealing representative of an exempt market dealer does not apply to an individual who acts as a dealer in the exempt market on the day this Instrument comes into force:

(a) until one year after this Instrument comes into force; or

(b) if the individual applies to be registered as a dealing representative of an exempt market dealer within one year after this Instrument comes into force, until the regulator or, in Québec, the securities regulatory authority has accepted or refused the registration.

16.8 Registration of ultimate designated persons

If a person or company is a registered firm on the day this Instrument comes into force, section 11.2 [*designating an ultimate designated person*] does not apply to the firm:

(a) until 3 months after this Instrument comes into force; or

(b) if an individual applies to be registered as the ultimate designated person of the firm within 3 months after this Instrument comes into force, until the regulator or, in Québec, the securities regulatory authority has accepted or refused the registration.

16.9 Registration of chief compliance officers

(1) If a person or company is a registered firm on the date this Instrument comes into force, section 11.3 [*designating a chief compliance officer*] does not apply to the firm:

(a) until 3 months after this Instrument comes into force; or

(b) if an individual applies to be registered as the chief compliance officer of the firm within 3 months after this Instrument comes into force, until the regulator or, in Québec, the securities regulatory authority has accepted or refused the registration.

(2) If an individual applies to be registered as the chief compliance officer of a registered firm in a jurisdiction of Canada within 3 months after this Instrument comes into force and the individual was identified on the National Registration Database as the firm's compliance officer on the date this Instrument came into force, the following sections do not apply in respect of the individual so long as he or she remains registered as the firm's chief compliance officer:

(a) section 3.6 [*mutual fund dealer – chief compliance officer*], if the registered firm is a mutual fund dealer;

(b) section 3.8 [*scholarship plan dealer – chief compliance officer*], if the registered firm is a scholarship plan dealer;

(c) section 3.10 [*exempt market dealer – chief compliance officer*], if the registered firm is an exempt market dealer;

(d) section 3.13 [*portfolio manager – chief compliance officer*], if the registered firm is a portfolio manager.

(3) If an individual applies to be registered as the chief compliance officer of a registered firm in a jurisdiction of Canada within 3 months after this Instrument comes into force and the individual was not identified on the National Registration Database as the firm's compliance officer on the date this Instrument came into force, the following sections do not apply in respect of the individual until one year after this Instrument comes into force:

(a) section 3.6 [*mutual fund dealer – chief compliance officer*], if the registered firm is a mutual fund dealer;

(b) section 3.8 [*scholarship plan dealer – chief compliance officer*], if the registered firm is a scholarship plan dealer;

(c) section 3.10 [*exempt market dealer – chief compliance officer*], if the registered firm is an exempt market dealer;

(d) section 3.13 [*portfolio manager – chief compliance officer*], if the registered firm is a portfolio manager.

(4) In Ontario and Newfoundland and Labrador, despite paragraphs (2)(c) and (3)(c), if an individual applies to be registered as the chief compliance officer of an exempt market dealer within 3 months after this Instrument comes into force, section 3.10 [*exempt market dealer – chief compliance officer*] does not apply in respect of the individual until one year after this Instrument comes into force.

16.10 Proficiency for dealing and advising representatives

(1) Subject to subsections (2) and (3), if an individual is registered in a jurisdiction of Canada as a dealing or advising representative in a category referred to in a section of Division 2 of Part 3 [*education and experience requirements*] on the day this Instrument comes into force, that section does not apply to the individual so long as the individual remains registered in the category.

(2) Section 3.7 [*scholarship plan dealer – dealing representative*] does not apply to an individual until one year after this Instrument comes into force if the individual is registered as a dealing representative of a scholarship plan dealer on the day this Instrument comes into force.

(3) In Ontario and Newfoundland and Labrador, section 3.9 [*exempt market dealer – dealing representative*] does not apply to an individual until one year after this Instrument comes into force if the individual is registered as a dealing representative of an exempt market dealer on the day this Instrument comes into force.

16.11 Capital requirements

(1) A person or company that is a registered firm on the day this Instrument comes into force is exempt from sections 12.1 [*capital requirements*] and 12.2 [*notifying the regulator of a subordination agreement*] if it complies with each provision listed in Appendix E [*non-harmonized capital requirements*] across from the name of the firm's principal jurisdiction.

(2) Subsection (1) is repealed one year after this Instrument comes into force.

16.12 Continuation of existing discretionary relief

A person or company that was entitled to rely on an exemption, waiver or approval granted to it by a regulator or securities regulatory authority relating to a requirement under securities legislation or securities directions existing immediately before this Instrument came into force is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval.

16.13 Insurance requirements

(1) A person or company that is a registered firm on the day this Instrument comes into force is exempt from sections 12.3 [*insurance – dealer*] to 12.7 [*notifying the regulator of a change, claim or cancellation*] if it complies with each provision listed in Appendix F [*non-harmonized insurance requirements*] across from the name of the firm's principal jurisdiction.

(2) In Québec, subsection (1), does not apply to a registered firm that is a mutual fund dealer or a scholarship plan dealer on the day this Instrument comes into force.

(3) Subsections (1) and (2) are repealed 6 months after this Instrument comes into force.

16.14 Relationship disclosure information

(1) Section 14.2 [*relationship disclosure information*] does not apply to a person or company that is a registrant on the day this Instrument comes into force.

(2) Subsection (1) is repealed one year after this Instrument comes into force.

16.15 Referral arrangements

(1) Division 3 [*referral arrangements*] of Part 13 does not apply to a person or company that is a registrant on the day this Instrument comes into force.

(2) Subsection (1) is repealed 6 months after this Instrument comes into force.

16.16 Complaint handling

(1) In each jurisdiction of Canada except Québec, section 13.16 [*dispute resolution service*] does not apply to a person or company that is a registered firm in a jurisdiction of Canada on the day this Instrument comes into force.

(2) Subsection (1) is repealed on September 28, 2012.

16.17 Account statements - mutual fund dealers

(1) Section 14.14 [*account statements*] does not apply to a person or company that was, on September 28, 2009, either of the following:

(a) a member of the MFDA;

(b) a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.

(2) Subsection (1) is repealed on September 28, 2011.

16.18 Transition to exemption – international dealers

(1) This section applies in Ontario and Newfoundland and Labrador.

(2) If a person or company is registered in the category of international dealer on the day this Instrument comes into force, its registration in that category is revoked.

(3) If a person or company is registered in the category of international dealer on the day this Instrument comes into force, paragraphs 8.18(3)(e) and 8.18(4)(b) [*international dealer*] do not apply to the person or company until one month after this Instrument comes into force.

16.19 Transition to exemption – international advisers

(1) This section applies in Ontario.

(2) If a person or company is registered in the category of international adviser on the day this Instrument comes into force, its registration in that category is revoked one year after this Instrument comes into force.

(3) If the registration of a person or company is revoked under subsection (2), the registration of each individual registered to act as an adviser on behalf of the person or company is revoked.

(4) If a person or company is registered in the category of international adviser on the day this Instrument comes into force, paragraphs (e) and (f) of subsection 8.26(4) [*international adviser*] do not apply to the person or company until one year after this Instrument comes into force.

16.20 Transition to exemption – portfolio manager and investment counsel (foreign)

(1) This section applies in Alberta.

(2) If a person or company is registered in the category of portfolio manager and investment counsel (foreign) on the day this Instrument comes into force, its registration in that category is revoked one year after this Instrument comes into force.

(3) If the registration of a person or company is revoked under subsection (2), the registration of each individual registered to act as an adviser on behalf of the person or company is revoked.

(4) If a person or company is registered in the category of portfolio manager and investment counsel (foreign) on the day this Instrument comes into force, paragraphs (e) and (f) of subsection 8.26(4) [*international adviser*] do not apply to the person or company until one year after this Instrument comes into force.

PART 17 WHEN THIS INSTRUMENT COMES INTO FORCE

17.1 Effective date

(1) Except in Ontario, this Instrument comes into force on September 28, 2009.

(2) In Ontario, this Instrument comes into force on the later of the following:

(a) September 28, 2009;

(b) the day on which sections 4, 5 and subsections 20(1) to (11) of Schedule 26 of the *Budget Measures Act, 2009* are proclaimed in force.

FORM 31-103F1
CALCULATION OF EXCESS WORKING CAPITAL

_____

Firm Name

Capital Calculation

(as at _____ with comparative figures as at _____)

	Component	**Current period**	**Prior period**
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	**Excess working capital**		

Notes:

This form must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides further guidance in respect of these accounting principles.

Line 5. Related-party debt - Refer to the CICA Handbook for the definition of 'related party' for publicly accountable enterprises.

Line 8. Minimum Capital - The amount on this line must be not less than (a) $25,000 for an adviser and (b) $50,000 for a dealer. For an investment fund manager, the amount must be not less than $100,000 unless subsection 12.1(4) applies.

Line 9. Market Risk - The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

Line 11. Guarantees - If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm's statement of financial position as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

Line 12. Unresolved differences - Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation. The examples below provide guidance as to how to calculate unresolved differences:

(i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the fair value of the client securities that are short, plus the applicable margin rate for those securities.

(ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the fair value of the investments (securities) that are short.

(iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file this form.

Management Certification

Registered Firm Name: _____

We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____ .

	Name and Title	**Signature**	**Date**
1.	_____	_____	_____
	_____		
2.	_____	_____	_____

Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital (calculating line 9 [market risk])

For purposes of completing this form:

(1) 'Fair value' means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the 'market risk' to be entered on line 9.

(a) Bonds, Debentures, Treasury Bills and Notes

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	1% of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3% of fair value
over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year:	3% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	5% of fair value
over 3 years to 7 years:	5% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

within 1 year:	3% of fair value
over 1 year to 3 years:	6% of fair value
over 3 years to 7 years:	7% of fair value
over 7 years to 11 years:	10% of fair value
over 11 years:	10% of fair value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

'Acceptable Foreign Bank Paper' consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than $200,000,000.

(d) Mutual Funds

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

(i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Mutual Funds*; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

(e) Stocks

In this paragraph, 'securities' includes rights and warrants and does not include bonds and debentures.

(i) On securities including investment fund securities, rights and warrants, listed on any exchange in Canada or the United States of America:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of fair value

Securities selling at $1.75 to $1.99 - 60% of fair value

Securities selling at $1.50 to $1.74 - 80% of fair value

Securities selling under $1.50 - 100% of fair value

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of fair value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of fair value

Securities selling at less than $0.25 - fair value plus $0.25 per shares

(ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

(a) Australian Stock Exchange Limited

(b) Bolsa de Madrid

(c) Borsa Italiana

(d) Copenhagen Stock Exchange

(e) Euronext Amsterdam

(f) Euronext Brussels

(g) Euronext Paris S.A.

(h) Frankfurt Stock Exchange

(i) London Stock Exchange

(j) New Zealand Exchange Limited

(k) Stockholm Stock Exchange

(l) Swiss Exchange

(m) The Stock Exchange of Hong Kong Limited

(n) Tokyo Stock Exchange

(f) Mortgages

(i) For a firm registered in any jurisdiction of Canada except Ontario:

(a) Insured mortgages (not in default): 6% of fair value

(b) Mortgages which are not insured (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

(ii) For a firm registered in Ontario:

(a) Mortgages insured under the National Housing Act (Canada) (not in default): 6% of fair value

(b) Conventional first mortgages (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.

(g) For all other securities - 100% of fair value.

FORM 31-103F2 SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE
(*sections 8.18 [international dealer] and 8.26 [international adviser]*)

1. Name of person or company ('International Firm'):

2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm.

3. Jurisdiction of incorporation of the International Firm:

4. Head office address of the International Firm:

5. The name, e-mail address, phone number and fax number of the International Firm's chief compliance officer.

Name:

E-mail address:

Phone:

Fax:

6. Section of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* the International Firm is relying on:

☐ Section 8.18 [*international dealer*]

☐ Section 8.26 [*international adviser*]

☐ Other

7. Name of agent for service of process (the 'Agent for Service'):

8. Address for service of process on the Agent for Service:

9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a 'Proceeding') arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

11. Until 6 years after the International Firm ceases to rely on section 8.18 [*international dealer*] or section 8.26 [*international adviser*], the International Firm must submit to the securities regulatory authority

a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and

b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.

12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

_____

(Signature of the International Firm or authorized signatory)

_____

(Name and Title of authorized signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of (Insert name of International Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

_____

(Signature of Agent for Service or authorized signatory)

_____

(Name and Title of authorized signatory)

FORM 31-103F3
USE OF MOBILITY EXEMPTION

[*Section 2.2 [client mobility exemption – individuals]*]

This is to notify the securities regulatory authority that the individual named in paragraph 1 is relying on the exemption in section 2.2 [*client mobility exemption – individuals*] of National Instrument 31-103 *Registration Requirements*, *Exemptions and Ongoing Registrant Obligations*.

1. Individual information

Name of individual: _____

NRD number of individual: _____

The individual is relying on the client mobility exemption in each of the following jurisdictions of Canada:

_____

2. Firm information

Name of the individual's sponsoring firm:

_____

NRD number of firm: _____

Dated: _____

_____
(Signature of an authorized signatory of the individual's sponsoring firm)

_____
(Name and title of authorized signatory)

APPENDIX A – BONDING AND INSURANCE CLAUSES

[*Section 12.3 [insurance – dealer], section 12.4 [insurance – adviser] and section 12.5 [insurance – investment fund manager]*]

Clause	Name of Clause	Details
A	Fidelity	This clause insures against any loss through dishonest or fraudulent act of employees.
B	On Premises	This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit.
C	In Transit	This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, misplacement, mysterious disappearance, damage or destruction, while in transit in the custody of any employee or any person acting as messenger except while in the mail or with a carrier for hire other than an armoured motor vehicle company.
D	Forgery or Alterations	This clause insures against any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities.
E	Securities	This clause insures against any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments.

APPENDIX B – SUBORDINATION AGREEMENT

[*Line 5 of Form 31-103F1 Calculation of excess working capital*]

SUBORDINATION AGREEMENT

THIS AGREEMENT is made as of the _____ day of _____, 20 ___

BETWEEN:

[insert name]

(the "**Lender**")

AND

[insert name]

(the "**Registered Firm**", which term shall include all successors and assigns of the Registered Firm)

(collectively, the "**Parties**")

This Agreement is entered into by the Parties under National Instrument 31-103 *Registration Requirements , Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**") in connection with a loan made on the _____ day of _____ , 20 _____ by the Lender to the Registered Firm in the amount of $ _____ (the "**Loan**") for the purpose of allowing the Registered Firm to carry on its business.

For good and valuable consideration, the Parties agree as follows:

1. Subordination

The repayment of the loan and all amounts owed thereunder are subordinate to the claims of the other creditors of the Registered Firm.

2. Dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm

In the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm:

(a) the creditors of the Registered Firm shall be paid their existing claims in full in priority to the claims of the Lender;

(b) the Lender shall not be entitled to make any claim upon any property belonging or having belonged to the Registered Firm, including asserting the right to receive any payment in respect to the Loan before the existing claims of the other creditors of the Registered Firm have been settled.

3. Terms and conditions of the Loan

During the term of this Agreement:

(a) interest can be paid at the agreed upon rate and time, provided that the payment of such interest does not result in a capital deficiency under NI 31-103;

(b) any loan or advance or posting of security for a loan or advance by the Registered Firm to the Lender, shall be deemed to be a payment on account of the Loan.

4. Notice to the Securities Regulatory Authority

The Registered Firm must notify the Securities Regulatory Authority 10 days before to the full or partial repayment of the loan. Further documentation may be requested by the Securities Regulatory Authority after receiving the notice from the Registered Firm.

5. Termination of this Agreement

This Agreement may only be terminated by the Lender once the notice required pursuant to Section 4 of this Agreement is received by the Securities Regulatory Authority.

The Parties have executed and delivered this Agreement as of the date set out above.

[Registered Firm]

_____

Authorized signatory

_____

Authorized signatory

[Lender]

_____

Authorized signatory

_____

Authorized signatory

APPENDIX C – NEW CATEGORY NAMES – INDIVIDUALS

[*Section 16.1 [change of registration categories – individuals]*]

	Column 1 [*dealing representative*]	**Column 2 [*advising representative*]**	**Column 3 [*associate advising representative*]**
Alberta	Officer (Trading) Salesperson Partner (Trading)	Officer (Advising) Advising Employee Partner (Trading)	Junior Officer (Advising)
British Columbia	Salesperson Trading Partner Trading Director Trading Officer	Advising Employee Advising Partner Advising Director	—
Manitoba	Salesperson Branch Manager Trading Partner Trading Director Trading Officer	Advising Employee Advising Officer Advising Director Advising Partner	Associate Advising Officer Associate Advising Director Associate Advising Partner Associate Advising Employee
New Brunswick	Salesperson Officer (trading) Partner (trading)	Representative (advising) Officer (advising) Partner (advising) Sole proprietor (advising)	Associate officer (advising), Associate partner (advising), Associate representative (advising)
Newfoundland and Labrador	Sales Person Officer (Trading) Partner (Trading)	Officer (Advising) Partner (Advising)	—
Nova Scotia	Salesperson Officer – trading Partner- trading Director - trading	Officer- advising Officer – counseling Partner- advising Partner- counseling Director- advising Director- counseling	—
Ontario	Salesperson Officer (Trading) Partner (Trading) Sole Proprietor	Advising Representative Officer (Advising) Partner (Advising) Sole Proprietor	—
Prince Edward Island	Salesperson Officer (Trading) Partner (Trading)	Counselling Officer (Officer) Counselling Officer (Partner) Counselling Officer (Other)	—
Québec	Representative, Representative - Group Savings Plan (salesperson), Representative - Scholarship Plan (salesperson)	Representative (Portfolio Manager), Representative (Advising), Representative – Options, Representative - Futures	—
Saskatchewan	Officer (Trading) Partner (Trading) Salesperson	Officer (Advising) Partner (Advising) Employee (Advising)	—
Northwest Territories	Salesperson Officer (Trading) Partner (Trading)	Representative (Advising) Officer (Advising) Partner (Advising)	—
Nunavut	Salesperson Officer (Trading) Partner (Trading)	Representative (Advising) Officer (Advising) Partner (Advising)	—
Yukon	Salesperson Officer (Trading) Partner (Trading) Sole proprietor (Trading)	Representative (Advising) Officer (Advising) Partner (Advising)	—

APPENDIX D – NEW CATEGORY NAMES – FIRMS

[*Section 16.2 [change of registration categories – firms]*]

	Column 1 [*investment dealer*]	***Column 2 [mutual fund dealer*]**	***Column 3 [scholarship plan dealer*]**	***Column 4 [restricted dealer*]**	***Column 5 [portfolio manager*]**	***Column 6 [restricted portfolio manager*]**
Alberta	investment dealer	mutual fund dealer	scholarship plan dealer	dealer, dealer (exchange contracts), dealer (restricted)	investment counsel and/or portfolio manager	portfolio manager/ investment counsel (exchange contracts)
British Columbia	investment dealer	mutual fund dealer	scholarship plan dealer	exchange contracts dealer, special limited dealer	investment counsel or portfolio manager	—
Manitoba	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
New Brunswick	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Newfoundland and Labrador	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Nova Scotia	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Ontario	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Prince Edward Island	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Québec	unrestricted practice dealer, unrestricted practice dealer (introducing broker), unrestricted practice dealer (International Financial Centre), discount broker	firm in group savings-plan brokerage	scholarship plan dealer	Québec Business investment company (QBIC) Debt securities dealer restricted practice Dealer firm in investment contract brokerage unrestricted practice dealer (Nasdaq)	unrestricted practice adviser, unrestricted practice adviser (International Financial Centre)	restricted practice advisor

Saskatchewan	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Northwest Territories	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Nunavut	investment dealer	mutual fund dealer	scholarship plan dealer	—	investment counsel or portfolio manager	—
Yukon	broker	broker	scholarship plan dealer	—	broker	—

APPENDIX E – NON-HARMONIZED CAPITAL REQUIREMENTS

[Section 12.1 [capital requirements]]

Alberta	Sections 23 and 24 of the *Alberta Securities Commission Rules* (General)
British Columbia	Sections 19, 20, 24 and 25 of the *Securities Rules*.Sections 2.1(i), 2.3(i), 9.4, 13.3, 15.4 and 16.3 of BC Policy 31-601 *Registration Requirements.*
Manitoba	None in the Act or Regulations – Handled through terms and conditions
New Brunswick	Sections 7.1, 7.2, 7.3, 7.4 and 7.5 of New Brunswick Local Rule 31-501 *Registration Requirements*, as those sections read immediately before revocation
Newfoundland and Labrador	Sections 84, 85, 95, 96, 97 and 99 of the Securities Regulations under the *Securities Act* (O.C. 96-286)
Nova Scotia	Section 23 of the *General Securities Rules*, as the section read immediately before revocation
Ontario	Sections 96, 97, 107, 111 of the Ontario Regulation 1015 made under the *Securities Act*, as those sections read immediately before revocation
Prince Edward Island	Section 34 of the former Securities Act Regulations and incorporated by reference by Local Rule 31-501 (*Transitional Registration Requirements*)
Québec	Sections 207 to 209, 211 and 212 of the Québec *Securities Regulation* or sections 8 to 11 of the Regulation respecting the trust accounts of financial resources of securities firms as those sections read immediately before repeal
Saskatchewan	Sections 19 and 24 of *The Securities Regulations* (Saskatchewan) as those sections read immediately before revocation
Northwest Territories	None in the Act, Regulations, or local rules – Handled through terms and conditions
Nunavut	None in the Act, Regulations, or local rules – Handled through terms and conditions
Yukon	Local Rule 31-501 *Registration Requirements*

APPENDIX F – NON-HARMONIZED INSURANCE REQUIREMENTS

[*Section 16.13 [insurance requirements]*]

Alberta	Sections 25 and 26 of the *Alberta Securities Commission Rules* (General)
British Columbia	Sections 21 and 22 of the *Securities Rules*Sections 2.1(h), 2.3(h and 2.5(h) of BC Policy 31-601 *Registration Requirements*
Manitoba	Subsection 7(4) of the *Securities Act* – general requirement at Director's discretion
New Brunswick	Sections 8.1, 8.2, 8.3 and 8.7 of New Brunswick Local Rule 31-501 *Registration Requirements*, as those sections read immediately before revocation
Newfoundland and Labrador	Sections 95, 96, and 97 of the Securities Regulations under the *Securities Act* (O.C. 96-286)
Nova Scotia	Section 24 of the *General Securities Rules*, as the section read immediately before revocation
Ontario	Sections 96, 97, 108, 109 of the Ontario Regulation 1015 made under the Securities Act, as those sections read immediately before revocation
Prince Edward Island	Section 35 of the former Securities Act Regulations and incorporated by reference by Local Rule 31-501 (*Transitional Registration Requirements*)
Québec	Section 213 and 214 of the Québec *Securities Regulation* as those sections read immediately before repeal
Saskatchewan	Section 33 of *The Securities Act*, 1988 (Saskatchewan), as that section read immediately before repealSections 20, 21 and 22 of *The Securities Regulations* (Saskatchewan), as those sections read immediately before revocation
Northwest Territories	Section 4 of Local Rule 31-501 *Registration*
Nunavut	None in the Act, Regulations, or local rules – Handled through terms and conditions
Yukon	Local Rule 31-501 *Registration Requirements*

APPENDIX G - EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR IIROC MEMBERS

[*Section 9.3 [exemptions from certain requirements for IIROC members]*)

NI 31-103 Provision	**IIROC Provision**
section 12.1 [*capital requirements*]	1. Dealer Member Rule 17.1; and 2. Form 1 *Joint Regulatory Financial Questionnaire and Report* - Part I, Statement B, "Notes and Instructions"
section 12.2 [*notifying the regulator of a subordination agreement*]	1. Dealer Member Rule 5.2; and 2. Dealer Member Rule 5.2A
section 12.3 [*insurance - dealer*]	1. Dealer Member Rule 400.2 [*Financial Institution Bond*]; 2. Dealer Member Rule 400.4 [*Amounts Required*]; and 3. Dealer Member Rule 400.5 [*Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4*]
section 12.6 [*global bonding or insurance*]	1. Dealer Member Rule 400.7 [*Global Financial Institution Bonds*]
section 12.7 [*notifying the regulator of a change, claim or cancellation*]	1. Dealer Member Rule 17.6; 2. Dealer Member Rule 400.3 [*Notice of Termination*]; and 3. Dealer Member Rule 400.3B [*Termination or Cancellation*]
section 12.10 [*annual financial statements*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]; and 2. Form 1 *Joint Regulatory Financial Questionnaire and Report*

NI 31-103 Provision	**IIROC Provision**
section 12.11 [*interim financial information*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]; and 2. Form 1 *Joint Regulatory Financial Questionnaire and Report*
section 12.12 [*delivering financial information - dealer*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]
subsection 13.2(3) [*know your client*]	1. Dealer Member Rule 1300.1(a)-(n) [*Identity and Creditworthiness*]; 2. Dealer Member Rule 1300.2; 3. Dealer Member Rule 2500, Section II [*Opening New Accounts*]; and 4. Form 2 *New Client Application Form*
section 13.3 [*suitability*]	1. Dealer Member Rule 1300.1(o) [*Business Conduct*]; 2. Dealer Member Rule 1300.1(p) [*Suitability Generally*]; 3. Dealer Member Rule 1300.1(q) [*Suitability Determination Required When Recommendation Provided*]; 4. Dealer Member Rule 1300.1(r) and Dealer Member Rule 1300.1(s) [*Suitability Determination Not Required*]; 5. Dealer Member Rule 1300.1(t) [*Corporation Approval*]; 6. Dealer Member Rule 2700, Section I [*Customer Suitability*]; and 7. Dealer Member Rule 3200 [*Minimum Requirements for Dealer Members Seeking Approval Under Rule 1300.1(t) for Suitability Relief for Trades not Recommended by the Member*]
section 13.12 [*restriction on lending to clients*]	1. Dealer Member Rule 100 [*Margin Requirements*]
section 13.13 [*disclosure when recommending the use of borrowed money*]	1. Dealer Member Rule 29.26
section 13.15 [*handling complaints*]	1. Dealer Member Rule 2500B [*Client Complaint Handling*]; and 2. Dealer Member Rule 2500, Section VIII [*Client Complaints*]

NI 31-103 Provision	IIROC Provision
subsection 14.2(2) [*relationship disclosure information*]	1. Dealer Member Rules of IIROC that set out the requirements for relationship disclosure information similar to those contained in IIROC's Client Relationship Model proposal, published for comment on January 7, 2011; IIROC has not yet assigned a number to the relationship disclosure dealer member rule in its Client Relationship Model proposal. We will refer to the dealer member rule number when IIROC has assigned one. 2. Dealer Member Rule 29.8; 3. Dealer Member Rule 200.1(c); 4. Dealer Member Rule 200.1(h); 5. Dealer Member Rule 1300.1(p) [*Suitability Generally*]; 6. Dealer Member Rule 1300.1(q) [*Suitability Determination Required When Recommendation Provided*]; 7. Dealer Member Rule 1300.2; and 8. Dealer Member Rule 2500B, Part 4 [*Complaint procedures / standards*]
section 14.6 [*holding client assets in trust*]	1. Dealer Member Rule 17.3
section 14.8 [*securities subject to a safekeeping agreement*]	1. Dealer Member Rule 17.2A 2. Dealer Member Rule 2600 - Internal Control Policy Statement 5 [*Safekeeping of Clients' Securities*]
section 14.9 [*securities not subject to a safekeeping agreement*]	1. Dealer Member Rule 17.3; 2. Dealer Member Rule 17.3A; and 3. Dealer Member Rule 200.1(c)
section 14.12 [*content and delivery of trade confirmation*]	1. Dealer Member Rule 200.1(h)

APPENDIX H - EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR MFDA MEMBERS

[*Section 9.4 [exemptions from certain requirements for MFDA members]*)

NI 31-103 Provision	**MFDA Provision**
section 12.1 [*capital requirements*]	1. Rule 3.1.1 [*Minimum Levels*]; 2. Rule 3.1.2 [*Notice*]; 3. Rule 3.2.2 [*Member Capital*]; 4. Form 1 MFDA *Financial Questionnaire and Report*; and 5. Policy No. 4 [*Internal Control Policy Statements - Policy Statement 2: Capital Adequacy*]
section 12.2 [*notifying the regulator of a subordination agreement*]	1. Form 1 *MFDA Financial Questionnaire and Report*, Statement F [*Statement of Changes in Subordinated Loans*]; and 2. Membership Application Package - Schedule I (Subordinated Loan Agreement)
section 12.3 *[insurance - dealer*]	1. Rule 4.1 [*Financial Institution Bond*]; 2. Rule 4.4 [*Amounts Required*]; 3. Rule 4.5 [*Provisos*]; and 4. Policy No. 4 [*Internal Control Policy Statements - Policy Statement 3: Insurance*]
section 12.6 [*global bonding or insurance*]	1. Rule 4.7 [*Global Financial Institution Bonds*]
section 12.7 [*notifying the regulator of a change, claim or cancellation*]	1. Rule 4.2 [*Notice of Termination*]; and 2. Rule 4.3 [*Termination or Cancellation*]
section 12.10 [*annual financial statements*] *Statements*]; and	1. Rule 3.5.1 [*Monthly and Annual*]; 2. Rule 3.5.2 [*Combined Financial* 3. Form 1 *MFDA Financial Questionnaire and Report*
section 12.11 [*interim financial information*]	1. Rule 3.5.1 [*Monthly and Annual*]; 2. Rule 3.5.2 [*Combined Financial Statements*]; and 3. Form 1 *MFDA Financial Questionnaire and Report*
section 12.12 [*delivering financial information - dealer*]	1. Rule 3.5.1 [*Monthly and Annual*]
section 13.3 [*suitability*]	1. Rule 2.2.1 [*"Know-Your-Client"*]; and 2. Policy No. 2 [*Minimum Standards for Account Supervision*]

NI 31-103 Provision	**MFDA Provision**
section 13.12 [*restriction on lending to clients*]	1. Rule 3.2.1 [*Client Lending and Margin*]; and 2. Rule 3.2.3 [*Advancing Mutual Fund Redemption Proceeds*]
section 13.13 [*disclosure when recommending the use of borrowed money*]	1. Rule 2.6 [*Borrowing for Securities Purchases*]
section 13.15 [*handling complaints*]	1. Rule 2.11 [*Complaints*] 2. Policy No. 3 [*Complaint Handling, Supervisory Investigations and Internal Discipline*]; and 3. Policy No. 6 [*Information Reporting Requirements*]
subsection 14.2(2) [*relationship disclosure information*]	1. Rule 2.2.5 [*Relationship Disclosure*]
section 14.6 [*holding client assets in trust*]	1. Rule 3.3.1 [*Genera*l]; 2. Rule 3.3.2 [*Cash*]; and 3. Policy No. 4 [*Internal Control Policy Statements - Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients' Securities*]
section 14.8 [*securities subject to a safekeeping agreement*]	1. Rule 3.3.3 [*Securities*]; and 2. Policy No. 4 [*Internal Control Policy Statements - Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients' Securities*]
section 14.9 [*securities not subject to a safekeeping agreement*]	1. Rule 3.3.3 [*Securities*]
section 14.12 [*content and delivery of trade confirmation*]	1. Rule 5.4.1 [*Delivery of Confirmations*]; 2. Rule 5.4.2 [*Automatic Payment Plans*]; and 3. Rule 5.4.3 [*Content*]

2 Oct 2009 SR 81/2009 s17; 8 Jly 2011 SR 41/2011 s24; 9 Mar 2012 SR 8/2012 s2.

PART L
[*Clause 2(xx)*]

MULTILATERAL INSTRUMENT 23-102
USE OF CLIENT BROKERAGE COMMISSIONS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Instrument:

"affiliated entity" has the meaning ascribed to it in section 1.3 of National Instrument 21-101 *Marketplace Operation*;

"client brokerage commissions" means brokerage commissions paid for out of, or charged to, a client account or investment fund managed by the adviser;

"managed account" has the meaning ascribed to it in section 1.1 of National Instrument 31-103 *Registration Requirements and Exemptions*;

"order execution goods and services" means:

(a) order execution; and

(b) goods or services to the extent that they are directly related to order execution;

"research goods and services" means:

(a) advice relating to the value of a security or the advisability of effecting a transaction in a security;

(b) an analysis, or report, concerning a security, portfolio strategy, issuer, industry, or an economic or political factor or trend; and

(c) a database, or software, to the extent that it supports goods or services referred to in paragraphs (a) and (b).

1.2 Interpretation – Security

For the purposes of this Instrument:

(a) in Alberta, British Columbia, New Brunswick and Saskatchewan, "security" includes an exchange contract; and

(b) in Québec, "security" includes a standardized derivative.

1.3 Interpretation – Adviser

For the purposes of this Instrument, "adviser" means:

(a) a registered adviser; or

(b) a registered dealer that carries out advisory functions but is exempt from registration as an adviser.

PART 2 APPLICATION

2.1 Application

This Instrument applies to an adviser or a registered dealer in relation to a trade in a security if brokerage commissions are charged by a dealer for an account, or portfolio, over which the adviser has discretion to make investment decisions without requiring the express consent of the client, including, for greater certainty:

(a) an investment fund; and

(b) a managed account.

PART 3 COMMISSIONS ON BROKERAGE TRANSACTIONS

3.1 Advisers

(1) An adviser must not direct any brokerage transactions involving client brokerage commissions to a dealer in return for the provision of goods or services by the dealer or a third party, other than any of the following:

(a) order execution goods and services;

(b) research goods and services.

(2) An adviser that directs any brokerage transactions involving client brokerage commissions to a dealer, in return for the provision of any order execution goods and services or research goods and services by the dealer or a third party, must ensure that:

(a) the goods or services are to be used to assist with investment or trading decisions, or with effecting securities transactions, on behalf of the client or clients; and

(b) a good faith determination is made that the client or clients receive reasonable benefit considering both the use of the goods or services and the amount of client brokerage commissions paid.

3.2 Registered Dealers

A registered dealer must not accept, or forward to a third party, client brokerage commissions, or any portion of those commissions, in return for the provision to an adviser of goods or services by the dealer or a third party, other than any of the following:

(a) order execution goods and services;

(b) research goods and services.

PART 4 DISCLOSURE OBLIGATIONS

4.1 Disclosure

(1) An adviser must provide the following disclosure to a client if any brokerage transactions involving the client brokerage commissions of that client have been or might be directed to a dealer in return for the provision of any good or service by the dealer or a third party, other than order execution:

(a) before the adviser opens a client account or enters into a management contract or a similar agreement to advise an investment fund:

(i) a description of the process for, and factors considered in, selecting a dealer to effect securities transactions, including whether receiving goods or services in addition to order execution is a factor, and whether and how the process may differ for a dealer that is an affiliated entity;

(ii) a description of the nature of the arrangements under which order execution goods and services or research goods and services might be provided;

(iii) a list of each type of good or service, other than order execution, that might be provided; and

(iv) a description of the method by which the determination in paragraph 3.1(2)(b) is made; and

(b) at least annually:

(i) the information required to be disclosed under paragraph (a) other than subparagraph (a)(iii);

(ii) a list of each type of good or service, other than order execution, that has been provided;

(iii) the name of any affiliated entity that provided any good or service referred to in subparagraph (ii), separately identifying each affiliated entity and each type of good or service provided by each affiliated entity; and

(iv) a statement that the name of any other dealer or third party that provided a good or service referred to in subparagraph (ii), if that name was not disclosed under subparagraph (iii), will be provided to the client upon request.

(2) An adviser must maintain a record of the name of any dealer or third party that provided a good or service, other than order execution under section 3.1, and must provide that information to the client upon request.

PART 5 EXEMPTION

5.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 6 EFFECTIVE DATE AND TRANSITION

6.1 Effective Date

This Instrument comes into force on June 30, 2010.

6.2 Transition

On or before December 31, 2010, an adviser must provide to a client, if the client was a client on June 30, 2010, the disclosure required under paragraph 4.1(1)(a) or (b).

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