

1.1.5 CSA Staff Notice 55-312 Insider Reporting Guidelines for Certain Derivative Transactions (Equity Monetization)

CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 55-312

INSIDER REPORTING GUIDELINES
FOR CERTAIN DERIVATIVE TRANSACTIONS
(EQUITY MONETIZATION)

Purpose

The purpose of this notice is to provide guidance to insiders in relation to the reporting of certain derivative-based transactions, including transactions which are commonly referred to as “equity monetization” transactions.

The staff of the Canadian Securities Administrators have prepared this notice to assist insiders who have entered into such transactions and to promote consistency in filings. This notice is intended to be read together with the SEDI User Guide (the User Guide), which is available at the websites listed below.

The notice contains a number of examples of arrangements and transactions involving derivatives together with examples of how we believe that insiders should report these arrangements and transactions. The instructions contained in this notice are guidelines only, and do not necessarily represent the only way that such arrangements and transactions may be reported.

If you have questions or concerns with respect to the contents of this notice, please feel free to contact a member of staff. Contact information is included at the end of this notice. This notice is dated February 27, 2004. We may from time to time reissue this notice to reflect frequently asked questions or concerns.

Background

1. *What are equity monetization transactions?*

Equity monetization transactions are derivative-based transactions which allow an investor to receive a cash amount similar to proceeds of disposition, and to transfer part or all of the economic risk and/or return associated with securities of an issuer, without formally transferring the legal and beneficial ownership of such securities. (The term “monetization” generally refers to the conversion of an asset (such as securities) into cash.)

You can find more information about how to file insider reports in respect of equity monetization transactions and other derivative-based transactions in the following materials:

- CSA Staff Notice 55-308 *Questions on Insider Reporting*
- CSA Staff Notice 55-310 *Questions and Answers on The System for Electronic Disclosure by Insiders (SEDI)*
- SEDI Online Guidelines relating to Third-Party Derivatives (available by clicking “help” at any time once you are in SEDI)
- Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)*¹
- Companion Policy 55-103CP *Insider Reporting for Certain Derivative Transactions (Equity Monetization)*
- BC Instrument 55-506 *Exemption from insider reporting requirements for certain derivative transactions* (and the accompanying BC Notice).

¹ *Multilateral Instrument 55-103 and Companion Policy 55-103CP will come into force on February 28, 2004 in Alberta, Saskatchewan, Manitoba and Ontario. These instruments are expected to come into force on or shortly after that date in the other participating jurisdictions. The British Columbia Securities Commission has participated in the development of the Multilateral Instrument and Companion Policy, but has decided to implement similar requirements by proclaiming amendments to the British Columbia Securities Act and providing exemptions in a BC Instrument instead. Consequently, it is not anticipated that British Columbia will adopt the Multilateral Instrument and Companion Policy. In Québec, the Regulation will come into force on the date that it is published in the Gazette officielle du Québec or on a later date. It will also be published in the Bulletin. (Au Québec, le règlement entrera en vigueur à la date de sa publication à la Gazette officielle du Québec ou à une date ultérieure. Il sera aussi publié au Bulletin.) If you have a question about the status of any of these instruments in a particular CSA jurisdiction, please contact a member of staff. Contact information is provided at the end of this notice.*

These materials are available at the websites of the securities regulatory authorities indicated below:

- www.bcsc.bc.ca
- www.albertasecurities.com
- www.sfsc.gov.sk.ca
- www.msc.gov.mb.ca
- www.osc.gov.on.ca
- www.lautorite.qc.ca

2. How should these transactions be reported in SEDI?

We have set out below a number of examples of arrangements and transactions involving derivatives together with examples of how we believe that insiders should report these arrangements and transactions in SEDI.

The first example is considered in detail. The subsequent examples generally refer the reader back to the step-by-step approach taken in the first example, highlighting necessary changes.

The examples discussed in this notice have necessarily been simplified and are for illustrative purposes only. The examples assume the following set of facts:

ABC Inc. is a reporting issuer. John is a director of ABC Inc. and is therefore an insider of ABC Inc. On March 1, 2001, John acquired 10 shares of ABC Inc. at a fair market value (FMV) price of \$10 per share. On March 1, 2004, shares of ABC Inc. have a FMV of \$100 per share. John does not wish to sell the shares, but is concerned that the shares might fall in value, and wishes to protect at least \$80 of the gain (that is, to "lock in" the share price at at least \$90).

The examples also assume that the following necessary preliminary steps have been taken:

- ABC Inc. has completed an issuer profile supplement;
- John has a valid SEDI user ID and password;
- John has created his insider profile in SEDI and has his insider access key; and
- John has previously added ABC Inc. to his insider profile.

For additional information about filing an insider report under SEDI, please refer to the SEDI User Guide, which is available at the websites listed above.

Example 1

On March 1, 2004, John enters into a **forward contract** with InvestBank under which John agrees to sell, and InvestBank agrees to purchase, 10 shares of ABC Inc. at a price of \$109.50 per share.² The sale will take place on March 1, 2009. The parties may settle their obligations under the forward contract on a cash settlement basis or by physical delivery of 10 ABC Inc. shares. This contract may be settled at an earlier date, subject to an adjustment to the settlement price. InvestBank hedges its risk under the forward contract through a hedging strategy involving short sales into the secondary market.

Insider Reporting Requirement: John is required to file an insider report within 10 (calendar) days of March 1, 2004. For an example of how this transaction should be reported, see below. Unless InvestBank is also an insider of ABC Inc., InvestBank is not required to file an insider report.

² In this example, \$90 is assumed to represent the present value of \$109.50 on March 1, 2009. Assuming an annual compounding of 4%, John and InvestBank are in the same position (absent any consideration of taxes) whether they proceed by way of a sale today at \$90 or a sale five years from today at \$109.50. In the case of a sale today, John receives \$90, which he may then invest at 4%. Assuming an annual compounding return of 4%, at the end of five years, John will have received cash in the amount of \$109.50. In the case of the forward sale at the end of five years, John will have received cash in the amount of \$109.50.

Instructions for Example 1

Note: John has accessed the SEDI website at www.sedi.ca, selected "English" as his language of preference, selected "login" at the "Welcome to SEDI" screen, and has logged in by entering his SEDI user ID and his password. John is now presented with the following screen: "Insider home page".

1. Enter your **insider access key** and click **Next**.

SCREEN: Insider activities

2. Click **insider report** (at the top of the screen).

SCREEN: Introduction to insider report activities (Form 55-102F2)

3. Click **File insider report** (on the navigation bar at the left of the screen)

SCREEN: File insider report (Form 55-102F2) – Select issuer

4. Select and highlight "ABC Inc." in the "List of issuers from the insider profile".

5. Click **File insider report**.

SCREEN: File insider report – Review issuer information

6. Review the issuer information and ensure that it is correct.

7. Click **Next**.

SCREEN: File insider report – View new issuer event reports

8. View any new issuer event reports, and then click **Next**.

SCREEN: File insider report – Select security designation

Note: Since the forward contract is not a class of security defined by the issuer in its issuer profile supplement, it will be necessary for John to create a new insider-defined security designation for the forward contract.

Note: Under SEDI, third-party derivative arrangements are considered to be "securities". Such arrangements may or may not be considered "securities" under securities law generally, depending upon the facts and circumstances of the arrangement in question.

9. Use the drop-down menu under the heading **Security Category** (at the bottom of the screen) to select a security, select and highlight "Third Party Derivatives", and then click on **Add security designation**.

Note: At this point, a warning pop-up box should appear: "Warning: You are about to specify an insider-defined security. You should not do so if the security you want to file is available in the issuer's outstanding security list. You must ensure that this security is not already on the issuer's outstanding securities list."

10. Click **OK**.

SCREEN: File insider report – Add security designation

11. Under the heading **Security designation**, in the drop-down menu under the subheading **Security name**, select and highlight **Forward Sale**.

12. Then, for the **additional description**, briefly describe. For example, "10 common shares – settlement date March 2009".

Note: This adds the security designation "Forward sale (10 common shares – settlement date March 2009)" to your list of insider-defined securities.

Note: Not all of this text will currently be visible in the additional description box. (The box will only show a limited number of characters at any one time.) However, the full text in this example will be accepted, and will be visible at later stages of the filing process.

13. Under the heading **Underlying security designation**, in the drop-down menu under the subheading **Security category**, select and highlight **Equity**. Then, in the drop-down menu under the subheading **Security name**, select and highlight **Common Shares**.

Note: In the context of a forward sale, the underlying security is the security that is the subject of the forward sale.

14. Click **Next**.

SCREEN: File insider report – Select ownership type

15. In the drop-down menu **Ownership type**, select and highlight **Direct Ownership** and click **Next**.

SCREEN: File insider report – opening balance on initial SEDI report

Note: SEDI requires an opening balance for each type of security. This has to be entered before a report can be filed about a transaction in the security. If the insider has never filed a report (either on paper or on SEDI) about this specific type of security, the insider must enter “0” (zero) as his or her opening balance. If John has previously entered into another forward contract, which has different terms (e.g., a different settlement date or price) from the present forward contract, the present contract would be considered a separate type of security.

16. In the field “Opening balance of securities held”, enter **0**.

17. In the field “Opening balance of equivalent number or value of underlying securities”, enter **0**.

Note: This screen contains additional fields: “General Remarks” and “Private remarks to securities regulatory authorities”. In this example, it is not necessary to include any information here.

18. Click **Next** (at the bottom of the screen).

SCREEN: File insider report – File transaction information

19. Click **File**.

SCREEN: Certification

20. Click **Accept**.

SCREEN: File insider report – Completed.

Note: John has now filed his opening balance for the security designated “Forward sale (10 common shares – settlement date March 2009)”. It is now necessary to file a report about the transaction involving this security entered into on March 1, 2004.

21. At the prompt “Are you finished with this insider report?” click **No**.

SCREEN: File insider report – Select a transaction option

22. Click on the button beside “Option 1”: **Same security & holder**.

SCREEN: File insider report – Enter transaction information

23. In the “Date of transaction” fields, enter a month, day and year.

Note: Since John entered into the forward contract on March 1, 2004, enter this date. Do not enter the date of the anticipated settlement (i.e., March 1, 2009) here.

24. In the drop-down menu **Nature of transaction**, select and highlight the appropriate code. Since John has acquired rights under a derivative contract, enter “70 – Acquisition or disposition (writing) of third party derivative”.

Note: For information about “nature of transaction” codes, see “Appendix 3: Nature of Transaction Codes” on p. 217 of the User Guide or National Instrument 55-102 SEDI.

25. Enter a number in the **Number or value of securities or contracts acquired**, or **Number or value of securities or contracts disposed of** fields.

Note: Since John has acquired rights and obligations under a derivative contract, enter “1” after the field “Number or value of securities or contracts acquired”. Leave the “Number or value of securities or contracts disposed of” field blank.

Note: Since John has specified a derivative as the security, there are additional fields in which to enter the equivalent number or value of the underlying securities to which the derivative relates.

26. Under the field **Unit price or exercise price**, enter N/A.

27. Under the field **Conversion or exercise price**, enter \$109.50.

Note: Since John has not paid any consideration (in this example) for the forward contract, he would enter N/A in the field “Unit price or exercise price”. Since the forward contract obliges John to sell 10 ABC shares at \$109.50 per share on March 1, 2009, John would enter \$109.50 in the field “Conversion or exercise price”.

28. Enter the following information in the **Date of expiry or maturity** field: March 1, 2009.

29. Enter the following information in the **General remarks** field:

Forward contract to sell 10 shares @ \$109.50 per share on March 1, 2009. Contract may be settled by cash or by delivery of 10 shares. Contract may be settled at earlier date, subject to price adjustment.

Note: If it is not possible to adequately describe a transaction or to include all of the material terms of a transaction in the space provided, this information may be included in a schedule which may be filed in paper format by facsimile in accordance with the provisions of Part 3 of National Instrument 55-102 SEDI. Fax the schedule to the facsimile number of the Securities Commission set out on Form 55-102F6. We recommend that you make reference to this filing by facsimile in the general remarks field on SEDI.

30. Enter additional information, as necessary, in the **Private remarks to securities regulatory authorities** field.

Note: This is an optional field. These remarks will only be accessible by securities regulatory authorities. Leave this field blank if no remarks are necessary.

SUMMARY – The information should appear as follows:

31. Click **Next**.

SCREEN: File insider report – File transaction information

32. Ensure that the details of your report are complete and accurate.

33. Click **File** (at the bottom of the screen).

SCREEN: Certification

34. Review the certification information carefully.

35. Click **accept**.

SCREEN: File insider report completed. Finished with this insider report?

36. Click **Yes**.

37. Logout

John has now completed the filing of his insider report relating to the forward contract. This report will normally be publicly available on SEDI within five minutes of filing.

Note: Generally, where an insider files an insider report in respect of a third-party derivative such as a forward contract, the insider will be required to file a second report at the time the derivative is settled, matures or is otherwise closed out. For example, John in this example will be required to file an insider report within 10 days of March 1, 2009 (assuming that the contract settles on that date and that John is still an insider on that date) showing i) a disposition of the forward contract, and ii) a disposition of the underlying common shares.

Example 2

On March 1, 2004, John purchases a **put option** from InvestBank which gives John the right, but not the obligation, to sell to InvestBank, at any time between March 1, 2004 and March 1, 2009, 10 shares of ABC Inc. at a price of \$90 per share.³ The put option is not transferable. John pays \$10 to InvestBank in consideration for the put option. InvestBank hedges its risk under the contract through a hedging strategy involving short sales into the secondary market.

Insider Reporting Requirement: John is required to file an insider report within 10 (calendar) days of March 1, 2004. For an example of how this transaction should be reported, see below. Unless InvestBank is also an insider of ABC Inc., InvestBank is not required to file an insider report.

Instructions for Example 2

- Repeat steps 1 to 10, inclusive, under example no. 1.

SCREEN: *File insider report – Add security designation*

11. Under the heading **Security designation**, in the drop-down menu under the subheading **Security name**, select and highlight **OTC Puts (including Private Options to Sell)**.
12. Then, for the **additional description**, briefly describe. For example, “10 common shares – expires March 2009”.

Note: This adds the security designation “OTC Puts (10 common shares – expires March 2009)” to your list of insider-defined securities.

Note: Not all of this text will currently be visible in the additional description box. (The box will only show a limited number of characters at any one time.) However, the full text in this example will be accepted, and will be visible at later stages of the filing process.

- Repeat steps 13 to 25, inclusive, under example no. 1 (substituting references to “OTC Put” for references to “Forward sale” in the text of the example).
26. Under the field **Unit price or exercise price**, enter \$10.
 27. Under the field **Conversion or exercise price**, enter \$90.

Note: Under the put option, John has the right, but not the obligation, to sell to InvestBank 10 ABC shares at \$90 per share at any time up to March 1, 2009. Since John paid \$10 in consideration (in this example) for the put option, he would enter \$10 in the field “Unit price or exercise price”. Since the put option exercise price is \$90 per share, John would enter \$90 in the field “Conversion or exercise price”.

28. Enter the following information in the **Date of expiry or maturity** field: March 1, 2009.
29. Enter the following information in the **General remarks** field:

Private option contract to sell 10 shares of ABC Inc. at a price of \$90 per share at any time between March 1, 2004 and March 1, 2009. Consideration paid for option was \$10.

Note: If it is not possible to adequately describe a transaction or to include all of the material terms of a transaction in the space provided, this information may be included in a schedule which may be filed in paper format by facsimile in accordance with the provisions of Part 3 of National Instrument 55-102 SEDI. Fax the schedule to the facsimile number of the Securities Commission set out on Form 55-102F6. We recommend that you make reference to this filing by facsimile in the general remarks field on SEDI.

³ This example and the subsequent examples assume a fixed exercise price of \$90 per share for the sake of simplicity. If the exercise price is based upon a formula, a note to this effect can be included in the remarks section.

- Repeat steps 30 to 37 under example no. 1, with necessary changes (i.e., substituting references to “OTC Puts” for references to “forward sale” in the text of the example).

Example 3

On March 1, 2004, John purchases a **put option** from InvestBank and simultaneously sells a **call option** to InvestBank. (The combination of a put option and call option is sometimes referred to as a **collar**.) The put option gives John the right, but not the obligation, to sell to InvestBank, at any time between March 1, 2004 and March 1, 2009, 10 shares of ABC Inc. at a price of \$90 per share. The call option gives InvestBank the right, but not the obligation, to require John to sell to InvestBank at any time between March 1, 2004 and March 1, 2009, 10 shares of ABC Inc at \$115 per share.

The options are not transferable. John finances the purchase of the put option by the simultaneous sale of the call option. InvestBank hedges its risk under the contract through a hedging strategy involving short sales into the secondary market.

Insider Reporting Requirement: John is required to file an insider report within 10 (calendar) days of March 1, 2004. For an example of how this transaction should be reported, see below. Unless InvestBank is also an insider of ABC Inc., ABC Inc. is not required to file an insider report.

Instructions for Example 3

In the above example, a separate report should be filed for the **put option** component and the **call option** component.

Instructions for filing a report in respect of the **put option** component are contained in example #2. Under the General remarks field (step 29), a reference to the call option can be made as follows:

Private option contract to sell 10 shares of ABC Inc. at a price of \$90 per share at any time between March 1, 2004 and March 1, 2009. Acquisition of put option financed by simultaneous sale of call option (see separate report).

The following instructions relate to the **call option** component.

- Repeat steps 1 to 10, inclusive, under example no. 1.

SCREEN: *File insider report – Add security designation*

11. Under the heading **Security designation**, in the drop-down menu under the subheading **Security name**, select and highlight **OTC Calls (including Private Options to Purchase)**.
12. Then, for the **additional description**, briefly describe. For example, “10 common shares – expires March 2009”.

Note: This adds the security designation “OTC Calls (10 common shares – expires March 2009)” to your list of insider-defined securities.

Note: Not all of this text will currently be visible in the additional description box. (The box will only show a limited number of characters at any one time.) However, the full text in this example will be accepted, and will be visible at later stages of the filing process.

- Repeat steps 13 to 24, inclusive, under example no. 1 (substituting references to “OTC Calls” for references to “Forward sale” in the text of the example).
25. Enter a number in the **Number or value of securities or contracts acquired**, or **Number or value of securities or contracts disposed of** fields.

Note: Since John has entered into a new contract that requires John to sell, if and when called upon, 10 shares of ABC Inc. at a price of \$115 per share at any time between March 1, 2004 and March 1, 2009, enter a “1” after the field “Number or value of securities or contracts disposed of”. Since John has sold a call option (i.e., written an option to purchase shares of ABC Inc.), John is considered to have “disposed” of an OTC Call contract for the purposes of this field. Leave the field “Number or value of securities or contracts acquired” blank.

26. Under the field **Unit price or exercise price**, enter N/A.

Note: In example no. 2, John paid \$10 as a premium for the acquisition of the put option. Accordingly, in example no. 2, John would enter this amount in the field “Unit price or exercise price”. In the present example, the consideration for the put option

component of the collar is the sale of the related call option. Accordingly, John should enter "Not Applicable" in the field "Unit price or exercise price", and make reference to the related put option in the General Remarks section.

27. Under the field **Conversion or exercise price**, enter \$115.

Note: Since the call option exercise price is \$115 per share, John would enter \$115 in the field "Conversion or exercise price".

28. Enter the following information in the Date of expiry or maturity field: March 1, 2009.

29. Enter the following information in the **General remarks** field:

Private option contract requiring John to sell 10 ABC shares at \$115 per share at any time between March 1, 2004 and March 1, 2009. Proceeds from sale of call option used to finance acquisition of put option (see separate report).

Note: If it is not possible to adequately describe a transaction or to include all of the material terms of a transaction in the space provided, this information may be included in a schedule which may be filed in paper format by facsimile in accordance with the provisions of Part 3 of National Instrument 55-102 SEDI. Fax the schedule to the facsimile number of the Securities Commission set out on Form 55-102F6. We recommend that you make reference to this filing by facsimile in the general remarks field on SEDI.

- Repeat steps 30 to 37 under example no. 1, with necessary changes.

Example 4

On March 1, 2004, John enters into a secured loan arrangement with InvestBank under which John agrees to borrow, and InvestBank agrees to lend, an amount equal to 90% of the FMV of the ABC Inc. shares, or \$900. The loan bears interest at 6 per cent per annum. The loan has a term of approximately 5 years, and matures on March 1, 2009. As security for the loan, John pledges the 10 ABC Inc. shares. Recourse under the loan is limited to the pledged security (or identical collateral substituted therefor). (In other words, John may settle his obligations under the loan on a cash settlement basis or by physical delivery of 10 ABC Inc. shares.) InvestBank hedges its risk under the contract through a hedging strategy involving short sales into the secondary market.

Insider Reporting Requirement: John is required to file an insider report within 10 (calendar) days of March 1, 2004. For an example of how this transaction should be reported, see below. Unless InvestBank is also an insider of ABC Inc., ABC Inc. is not required to file an insider report.

Instructions for Example 4

In the above example, the term of the loan agreement limiting recourse to the collateral (or to identical collateral delivered in substitution for the original collateral) effectively operates as a "put" option. John can repay the principal amount of \$900 at the term of the loan. Alternatively, John can satisfy his obligation under the loan agreement to repay the principal amount of \$900 by releasing his interest in the collateral (or by delivering another 10 ABC shares in substitution for the pledged shares), regardless of their value at the term of the loan.

John can report this transaction in a number of ways. One option would be to report this transaction as an acquisition of an OTC Put Option. (See example no. 2 for instructions as to how this may be reported.)

Another option would be to define the secured loan agreement as an insider-defined derivative, as follows.

- Repeat steps 1 to 10, inclusive, under example no. 1.

SCREEN: File insider report – Add security designation

11. Under the heading **Security designation**, in the drop-down menu under the subheading **Security name**, select and highlight **Other**.

12. Then, for the **additional description**, briefly describe. For example, "Loan secured by pledge (limited recourse), matures 2009".

Note: This adds the security designation "Loan secured by pledge (limited recourse), matures 2009" to your list of insider-defined securities.

- Repeat steps 13 to 25, inclusive, under example no. 1.

- 26. Under the field **Unit price or exercise price**, enter 0.
- 27. Under the field **Conversion or exercise price**, enter \$900.

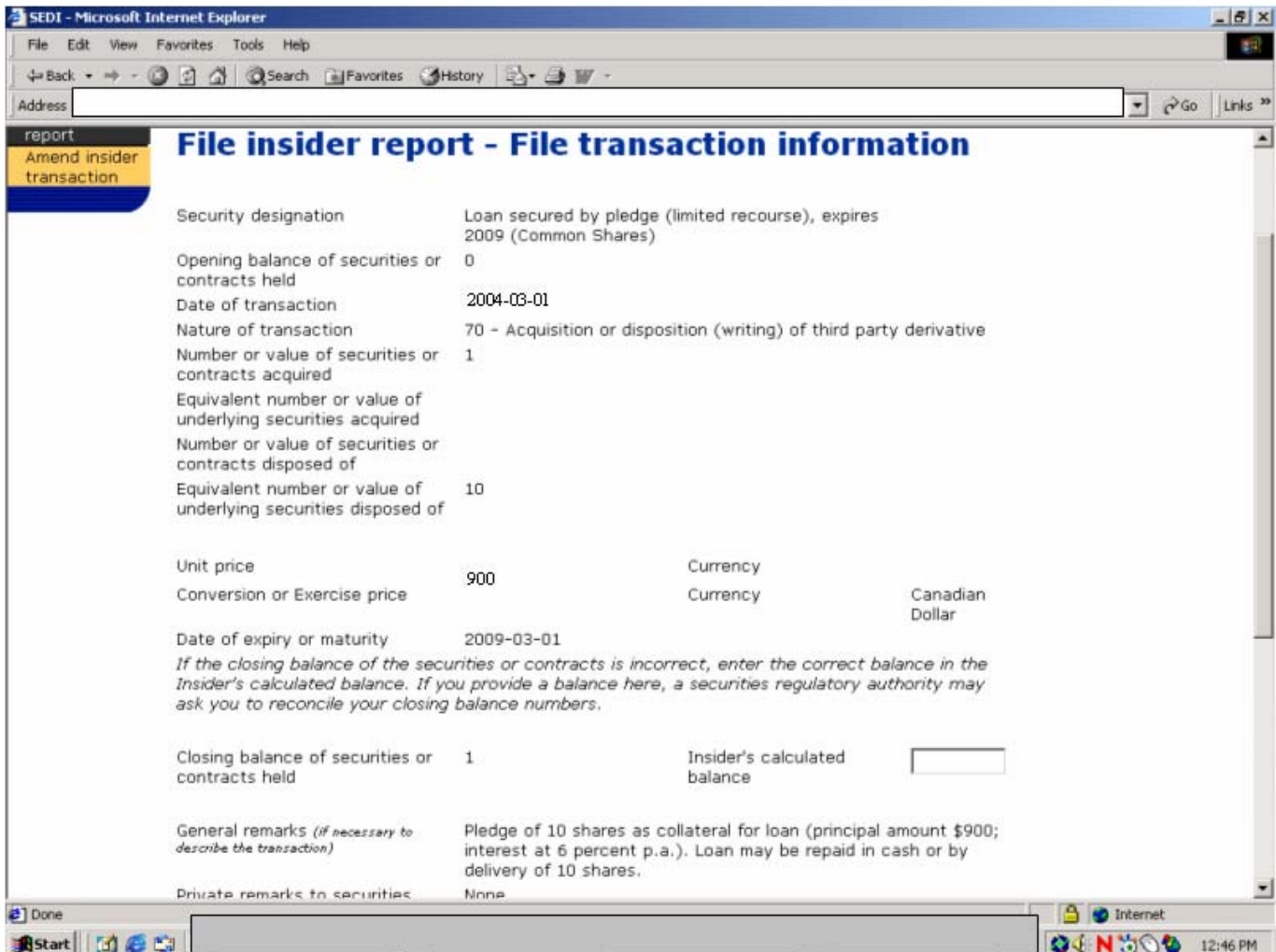
Note: Under the loan agreement, John can repay the principal amount of \$900 at the term of the loan. Alternatively, John can satisfy his obligation under the loan agreement to repay the principal amount of \$900 by releasing his interest in the collateral (or by delivering another 10 ABC shares in substitution for the pledged shares), regardless of their value at the term of the loan. Effectively, John has an option to put 10 shares to InvestBank at a notional price of \$900 (or \$90 per share). Since the put option exercise price is \$900, John would enter \$900 in the field "Conversion or exercise price".

- 28. Enter the following information in the **Date of expiry or maturity** field: March 1, 2009.
- 29. Enter the following information in the **General remarks** field:

Pledge of shares as collateral for loan (principal amount \$900; interest at 6 per cent per annum). Loan may be repaid in cash or settled by delivery of 10 shares.

Note: If it is not possible to adequately describe a transaction or to include all of the material terms of a transaction in the space provided, this information may be included in a schedule which may be filed in paper format by facsimile in accordance with the provisions of Part 3 of National Instrument 55-102 SEDI. Fax the schedule to the facsimile number of the Securities Commission set out on Form 55-102F6. We recommend that you make reference to this filing by facsimile in the general remarks field on SEDI.

SUMMARY – The information should appear as follows:



- Repeat steps 30 to 37 under example no. 1, with necessary changes.

Example 5

On March 1, 2004, John enters into a swap agreement with InvestBank whereby he agrees to pay InvestBank, on March 1, 2009, an amount equal to dividends paid on the 10 shares of ABC Inc. plus any appreciation in value over \$100 per share. In return, InvestBank agrees to pay John the London interbank offered rate (LIBOR) on a notional principal amount of \$1000 (i.e., the FMV of the 10 ABC Inc. shares) plus any depreciation in the value of the shares below \$100 per share. InvestBank hedges its risk under the contract through a hedging strategy involving short sales into the secondary market.

Insider Reporting Requirement: John is required to file an insider report within 10 (calendar) days of March 1, 2004. For an example of how this transaction should be reported, see below. Unless InvestBank is also an insider of ABC Inc., ABC Inc. is not required to file an insider report.

Instructions for Example 5

- Repeat steps 1 to 10, inclusive, under example no. 1.

SCREEN: *File insider report – Add security designation*

11. Under the heading **Security designation**, in the drop-down menu under the subheading **Security name**, select and highlight **Equity Swap – Short Position**.

12. Then, for the **additional description**, briefly describe. For example, “10 common shares – expires March 2009”.

Note: John is considered to have the short position on the equity swap since John has swapped the cash flows associated with ownership (i.e., a long position) for cash flows generated by another instrument, a notional investment of \$1,000 at the LIBOR rate.

Note: This adds the security designation “Equity Swap – Short Position (10 common shares – expires March 2009)” to your list of insider-defined securities.

Note: Not all of this text will currently be visible in the additional description box. (The box will only show a limited number of characters at any one time.) However, the full text in this example will be accepted, and will be visible at later stages of the filing process.

- Repeat steps 13 to 25, inclusive, under example no. 1, with necessary changes.

26. Under the field **Unit price or exercise price**, enter 0.

27. Under the field **Conversion or exercise price**, enter 0.

28. Enter the following information in the **Date of expiry or maturity** field: March 1, 2009.

*Note: If the terms of a derivative cannot easily be expressed in the fields noted above, or if a description is necessary to clarify ambiguity, include additional information in the **General remarks** field.*

29. Enter the following information in the **General remarks** field:

Equity swap involving exchange of payments on March 1, 2009: an amount equal to dividends paid on 10 shares of ABC Inc. plus any appreciation in value over \$100 per share, for LIBOR rate on \$1,000 notional principal amount plus any depreciation in value below \$100 per share.

Note: If it is not possible to adequately describe a transaction or to include all of the material terms of a transaction in the space provided, this information may be included in a schedule which may be filed in paper format by facsimile in accordance with the provisions of Part 3 of National Instrument 55-102 SEDI. Fax the schedule to the facsimile number of the Securities Commission set out on Form 55-102F6. We recommend that you make reference to this filing by facsimile in the general remarks field on SEDI.

- Repeat steps 30 to 37 under example no. 1, with necessary changes.

If you have questions or concerns with respect to the contents of this notice, please feel free to contact a member of staff. Questions may be referred to any of:

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