

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 Toronto Stock Exchange - Request for Comments on Amendments to the Policy on Normal Course Issuer Bids and Debt Substantial Issuer Bids (Appendix F of the Company Manual)

TORONTO STOCK EXCHANGE

REQUEST FOR COMMENTS

AMENDMENTS TO TORONTO STOCK EXCHANGE'S POLICY ON NORMAL COURSE ISSUER BIDS AND DEBT SUBSTANTIAL ISSUER BIDS (Appendix F of the Toronto Stock Exchange Company Manual)

On August 2, 2002 Toronto Stock Exchange ("TSX") originally published for comment amendments to Parts V, VI and VII of TSX Company Manual (the "Manual"), including changes to TSX's policy on normal course issuer bids ("NCIBs"), debt substantial issuer bids ("DSIBs") and other bids through the facilities of TSX. Additional amendments to the Manual were published for comment on January 2, 2004. On November 5, 2004, certain amendments to the Manual were finalized with an effective date of January 1, 2005, other than the NCIB and DSIB policy which was republished for comment at that time. As a result of comments received on the Amendments, further changes have been made to the NCIB and DSIB policy amendments (the "Amendments"), and the Amendments are therefore being republished for a further 30 day comment period.

The Amendments will be effective upon approval by the Ontario Securities Commission (the "OSC") following public notice and comment. Comments should be in writing and delivered by November 21, 2005 to:

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Policy Counsel
Toronto Stock Exchange
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
Email: luana.dicandia@tsx.com

A copy should also be provided to the:

Manager
Market Regulation
Capital Markets
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
Email: cpetlock@osc.gov.on.ca

Comments will be publicly available unless confidentiality is requested.

Overview

TSX is seeking comments on the Amendments. The Amendments are intended to provide listed issuers with a complete and transparent set of TSX standards and practices allowing issuers and investors, and their respective advisors, to have certainty when planning and completing transactions. TSX believes that this will result in more efficient, cost effective access to Canadian capital markets. More specifically however, the fundamental objectives of the NCIB and DSIB policy are to provide issuers with the ability to buy back their own securities in a cost effective way that treats public security holders fairly while not adversely impacting the market. In an attempt to balance these objectives, TSX has considered, among other things, the variances in liquidity, public float, distribution and market capitalization of TSX listed issuers.

TSX received a total of 21 comment letters in response to the November 2004 publication. Comments were received from interlisted and smaller listed issuers, participating organizations, legal advisors, fund managers and other market participants. Attached as Appendix B is a summary of the comment letters together with TSX's responses.

Daily Repurchase Restriction & Monthly Repurchase Restriction

Under the current rules and policies of TSX, all issuers making purchases under an NCIB may not purchase more than 2% of the relevant class of securities outstanding in any 30 day period. TSX proposes to replace the 2% repurchase restriction with a daily repurchase restriction (section 628(a)(xiii)(a)) for all issuers other than investment funds. Under the daily repurchase restriction, issuers may purchase up to 25% of the average daily trading volume ("ADTV") of the listed securities on any trading day. The ADTV will be calculated based on trading on TSX over the most recently completed six months immediately preceding TSX acceptance of the NCIB notice. Issuers will continue to be subject to the aggregate 12 month repurchase restriction of that number of securities equal to the greater of 10% of the public float or 5% of the issued and outstanding securities.

TSX has been concerned about the 2% purchase restriction for issuers with illiquid securities. The 2% purchase restriction was determined as a brightline test for all issuers without regard to the actual impact such purchases would have on the market quality. Following discussions with stakeholders and after reviewing the SEC's safe harbor rule 10b-18, TSX is proposing to replace the 2% repurchase restriction with the daily repurchase restriction. The daily repurchase restriction was designed to prevent an issuer from dominating the market for its securities through substantial purchasing activity. An issuer dominating the market for its security under an NCIB may mislead investors about the integrity of the market as an independent pricing mechanism. TSX believes that the daily repurchase restriction provides sufficient flexibility for issuers to repurchase their securities under an NCIB while ensuring the quality of the market.

Virtually all comment letters received addressed the daily purchase restrictions. Many of the comments indicated that the daily repurchase restriction would be inappropriate for the Canadian marketplace, primarily because Canadian issuers are far less liquid than US listed issuers. The commentors indicated that the daily repurchase restriction would be overly restrictive and limit an issuer's ability to stabilize the market. Other commentors indicated that the daily repurchase restriction should be further aligned with the SEC's rule to permit parallel rules for interlisted issuers, including the use of a rolling four week period preceding any purchase for the calculation of ADTV and the addition of a block exception from the daily repurchase restriction.

As a result of the comments: (i) the 2% repurchase restriction in any 30 day period has been reinstated only for issuers who meet the definition of investment fund, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*; (ii) the ADTV calculation has been changed from a one month period to a six month period; and (iii) a block exception from the daily repurchase restriction has been added. TSX continues to believe that the daily repurchase restriction is necessary in order to ensure the integrity of the market.

While TSX recognizes that the liquidity of most Canadian issuers is significantly less than US listed issuers, it is important to note that the SEC's safe harbour rule applies to not only those listed on the New York Stock Exchange and NASDAQ National Market, but all US public issuers. A block exception was added in part to permit less liquid issuers with a stabilizing mechanism in the event that a large block became available on the market (section 629(l)(7) and "Block Purchase Exception from the Daily Repurchase Restriction" below).

TSX reinstated the 2% repurchase restriction for investment funds only since the nature and structure of investment fund securities are significantly different than regular corporate equity securities. Investment funds are generally not as liquid as other securities and the 25% ADTV repurchase restriction may impose limitations for investment funds to utilize an NCIB.

Investment funds typically represent a basket of public funds or securities. The net asset value of these funds is transparent as it is calculated and published on a regular basis. At times, investment funds trade at a discount to net asset value. The 2% repurchase restriction will assist investment funds in minimizing the discount to market, which promotes better valuation and trading of investment funds without affecting the integrity of the market for these securities.

An additional provision has been added to the definition of average daily trading volume for listed securities, other than investment funds, which have been listed on TSX for a period of less than six months. In such circumstances, TSX is proposing to use the period since the date of listing, but that period must consist of at least four weeks of trading of the listed security as the basis for the average daily trading volume. Consequently, securities listed, other than investment funds, pursuant to an initial public offering could not be subject to a normal course issuer bid for the first four week period following the IPO. Without such a provision, an issuer with newly listed securities could not commence a normal course issuer bid for a period of six months following the initial listing. This is consistent with the SEC's safe harbour rule for the first four weeks immediately following the creation of a security.

TSX is also proposing to prohibit any NCIB purchases in the opening of the market and the last half hour of the regular trading session, other than with respect to market on close orders (section 629(l)(8)). Purchases at the opening and during the last half

hour of trading are considered to be a significant indicator of the direction of trading, the strength of demand, and the current market value of the security.

- Question 1:** Is it appropriate to retain the 2% repurchase restriction in any 30 day period for investment funds?
- Question 2:** Should issuers with newly listed securities, such as in the case of an IPO, be restricted from commencing a normal course issuer bid for the first four weeks of trading?
- Question 3:** Is it appropriate to prohibit purchases made under an NCIB during the opening of a trading session and the last half hour before the scheduled close of a trading session?

Block Purchase Exception from the Daily Repurchase Restriction

TSX is proposing a block purchase exception from the daily repurchase restriction (section 629(l)(7)). A "block" means a quantity of securities that either: (i) has a purchase price of \$200,000 or more; (ii) is at least 5,000 securities and has a purchase price of at least \$50,000; or (iii) is at least 20 board lots of the security and total 150% or more of the ADTV for that security. This definition has been derived from the SEC's safe harbour rule, however all dollar amounts are expressed in Canadian dollars and are therefore not equivalent to US dollar figures.

Issuers, other than investment funds, will be permitted to buy one block per calendar week which exceeds the daily repurchase restrictions. The block purchase exception may only be used on a day during which the issuer has not made any other purchases under its NCIB. Subsequent purchases may be made during the same week provided that they comply with the daily repurchase restriction. Any securities purchased under the block exception will count toward the aggregate maximum number of securities which may be purchased under the NCIB.

- Question 4:** Should the block purchase exception be permitted and if so: (a) is the frequency of once a calendar week appropriate, and (b) is the definition of a block appropriate?
- Question 5:** Does the block purchase exception provide low to medium liquidity issuers with sufficient flexibility to conduct market stabilization activities?
- Question 6:** Does the block purchase exception disadvantage potential purchasers, either in terms of price or availability?
- Question 7:** Should purchases under the block purchase exception be permitted where previous purchases were made under the NCIB on the same day?
- Question 8:** Should investment funds be permitted to use the block purchase exception?

Use of Derivatives in Conjunction with Normal Course Issuer Bids

Currently, certain listed issuers enter into forward purchase contracts and put options that may result in the repurchase of their listed securities. TSX had developed internal guidelines for the use of forward purchase contracts, put option agreements and call option agreements (individually or collectively, "derivatives") in conjunction with NCIBs. The guidelines are proposed to be incorporated into the Amendments (section 629.1) and provide requirements regarding the acceptable terms for derivatives, purchase restrictions and reporting and disclosure requirements.

The definitions of "forward purchase contract", "put option agreement" and "call option agreement" include reference to an OTC contract. The definitions have been limited to OTC contracts in order to ensure that TSX and the listed issuer are aware of the identity of the counterparty.

The requirements related to derivatives used in conjunction with an NCIB are limited to those derivatives which are settled by physical delivery of the underlying security. Derivatives which provide for exclusive cash settlement have been excluded from these requirements, as the listed issuer does not ultimately repurchase its own securities, but rather settles by cash payment.

Four commentors addressed the derivatives questions posed in the November 5, 2004 publication. Generally, commentors agreed that it was not appropriate for TSX to regulate exclusively cash settled derivatives in the context of an issuer's NCIB. TSX accordingly has not amended section 629.1 in this regard. Two commentors expressed concerns regarding the daily repurchase restriction and the settlement of a derivative contract. TSX is proposing that settlement of the contract will be exempt from the daily purchase restriction, however the hedging activity associated with the contract will be subject to the restriction (section 629.1(l) and (m)), as well as all other purchase prohibitions.

Use of Accelerated Buy Backs in Conjunction with Normal Course Issuer Bids

TSX is also proposing to introduce rules allowing for accelerated buy backs during a normal course issuer bid. Accelerated buy backs permit an issuer to purchase a block of its securities for cancellation on a short sale from a broker. An accelerated buy back consists of an agreement between the listed issuer and a counterparty, whereby the counterparty agrees to sell a fixed number of listed securities short to the listed issuer on a specified date, and whereby the counterparty subsequently covers its short position in those securities with open-market purchases. TSX is proposing to permit the accelerated buy backs, subject to a number of restrictions related to open market purchases, including restrictions related to pricing and quantity, similar to those proposed for the use of derivatives during normal course issuer bids.

The accelerated buy back has been introduced in response to comments requesting the TSX to be more consistent with the trading strategies currently being used in the U.S. The SEC's rule 10b-18 permits accelerated buy backs on a basis that ensures all investors have an opportunity to benefit from the issuer's repurchase and the consequent hedging activity of the broker.

Debt Substantial Issuer Bids

The definition of "issuer bid" under securities legislation specifically excludes "an offer to acquire or redeem debt securities that are not convertible into securities other than debt securities". TSX is concerned that a listed issuer may be able to repurchase some or all of its listed debt securities through the facilities of TSX without being subject to certain requirements which would normally apply to an issuer bid. These requirements include advance notification of the terms of the bid, identical consideration for the repurchase of securities and pro-rata re-purchases. The amended policy ensures that security holders can participate equally in a debt substantial issuer bid, which TSX believes is important since such a bid may significantly impact the liquidity of the market for the listed securities.

Four commentors addressed the DSIB question posed in the November 5, 2004 publication, two of whom expressed concerns that issuers listing debt on TSX would be significantly disadvantaged. Issuers with debt listed on TSX would be subject to significantly more onerous requirements than issuers with debt trading OTC only. TSX believes that because of the nature of the holders of TSX listed debt, it is important to permit security holders to participate in a repurchase on a pro-rata basis. However, where the instrument governing the debt provides for an alternative repurchase method, the requirements of the DSIB policy will not apply (section 628(a) (viii) and (xii)). Where the governing instrument provides an alternative repurchase method, the security holder has purchased the debt on the understanding that the issuer may repurchase the debt in accordance with the governing instrument.

Public Interest

TSX is publishing the Amendments for a 30 day comment period. Given the substantive nature of the Amendments, TSX believes that it is important for its key stakeholders to have an opportunity to review the amended policies prior to their implementation.

As a result, the Amendments will only become effective following public notice, a comment period and the approval of the OSC.

Text of Amendments

Attached as **Appendix A** are the Amendments, blacklined to reflect changes since the November 5, 2004 publication. In particular, we refer readers as follows:

1. Section 628(a)(xiii)(a) and (b), which contain the daily and monthly repurchase restriction;
2. Section 628(a)(iii) and 628(l)(7) contain the block purchase exceptions;
3. Section 629.1 contains the provisions on derivatives and accelerated buy backs used in connection with NCIBs; and
4. Section 629.2 contains the provisions on debt substantial issuer bids.

Attached as **Appendix B** is a summary of the comment letters together with TSX's responses.

APPENDIX A

NORMAL COURSE ISSUER BIDS AND DEBT SUBSTANTIAL ISSUER BIDS

628. General.

(a) In Sections 628, 629, 629.1 and 629.2:

(i) "accelerated buy back" means an agreement between the listed issuer and a counterparty, whereby the counterparty sells a fixed number of listed securities short to the listed issuer on a specified date and the counterparty subsequently covers its short position in those securities pursuant to the open-market purchases;

~~(ii)~~ "average daily trading volume" or "ADTV" means the trading volume on TSX for the most recently completed ~~calendar month~~six months preceding the date of acceptance of the notice of normal course issuer bid by TSX, excluding any purchases made by the listed issuer under its normal course issuer bid during such six months, calculated as the total volume for the month divided by the number of trading days for the relevant ~~month~~six months. In the case of listed securities which have been listed on TSX for a period of less than six months, ~~for the~~ ADTV for such securities shall be based on the period since the date of listing, but must be at least four weeks preceding the date of acceptance of the notice of normal course issuer bid by TSX;

(iii) "block" means a quantity of securities that either:

(a) has a purchase price of \$200,000 or more; or

(b) is at least 5,000 securities and has a purchase price of at least \$50,000; or

(c) is at least 20 board lots of the security and total 150% or more of the ADTV for that security;

~~(iv)~~ "broker" means the participating organization designated by the listed issuer to make all purchases of listed securities for the purposes of the normal course issuer bid;

~~(v)~~ "call option agreement" means an OTC agreement between the listed issuer and the counterparty governing the terms of the call option and constituting the call option contract in respect of which the underlying interest is the listed security which is the subject of the normal course issuer bid and pursuant to which the listed issuer will, in consideration of the payment of a premium to the counterparty, have the option to require the counterparty to sell to the listed issuer a number of securities issued by the listed issuer at a date and a price which are specified in the call option;

(vi) "circular bid" means a formal take-over bid or a formal issuer bid made in compliance with the requirements of Part XX of the OSA;

~~(vii)~~ "counterparty" means the participating organization or financial intermediary, as defined in section 204 of the Regulations to the OSA, at the opposite side of a derivative or an accelerated buy back from the listed issuer;

~~(viii)~~ "debt substantial issuer bid" means an issuer bid ~~made through the facilities of the TSX~~, other than a normal course issuer bid, for debt securities that are not convertible into securities other than debt securities;

~~(ix)~~ "derivative" means a put option agreement, a call option agreement or a forward purchase contract;

~~(x)~~ "forward purchase contract" means an OTC agreement between the listed issuer and the counterparty under which the listed issuer agrees to purchase a number of listed securities which are subject to the normal course issuer bid at a date and a price which are specified in the agreement;

(xi) "investment fund" has the same definition found in National Instrument 51-102 *Continuous Disclosure Obligations*;

~~(xii)~~ "issuer bid" means an offer, made through the facilities of TSX, to acquire listed securities made by or on behalf of a listed issuer for securities issued by that listed issuer, unless:

(a) the securities are purchased or otherwise acquired in accordance with the terms and conditions attaching thereto that permit the purchase or acquisition of the securities by the issuer without the prior agreement of the owners of the securities, or where the securities are purchased to meet sinking fund or purchase fund requirements;

- (b) the purchase or other acquisition is required by the instrument creating or governing the class of securities or by the statute under which the issuer was incorporated, organized or continued; or
- (c) the securities carry with them or are accompanied by a right of the owner of the securities to require the issuer to repurchase the securities and the securities are acquired pursuant to the exercise of such right;

~~(ix)~~(xiii) **"normal course issuer bid"** means ~~a~~an issuer bid by a listed issuer to acquire its listed securities where the purchases:

- (a) ~~if the issuer is not an investment fund, do not, when aggregated with all other purchases by the listed issuer during the same trading day, aggregate more than the greater of: (i) 25% of the average daily trading volume of the listed securities of that class, excluding any purchases made by the listed issuer under its normal course issuer bid; and (ii) 1,000 securities; and~~

~~(a)~~(b) if the issuer is an investment fund, do not, when aggregated with all other purchases by the listed issuer during the preceding 30 days, aggregate more than 2% of the listed securities of that class outstanding on the date of acceptance of the notice of normal course issuer bid by TSX; and

~~(b)~~(c) over a 12-month period, commencing on the date specified in the notice of the normal course issuer bid, do not exceed the greater of

- (i) 10% of the public float on the date of acceptance of the notice of normal course issuer bid by TSX, or
- (ii) 5% of such class of securities issued and outstanding on the date of acceptance of the notice of normal course issuer bid by TSX, excluding any securities held by or on behalf of the listed issuer on the date of acceptance of the notice of normal course issuer bid by TSX,

whether such purchases are made through the facilities of a stock exchange or otherwise, but excluding purchases made under a circular bid;

~~(x)~~(xiv) **"OTC"** means trading over the counter and not through the facilities of an exchange;

~~(xi)~~(xv) **"principal security holder"** of a listed issuer means a person or company who beneficially owns or exercises control or direction over more than 10% of the issued and outstanding securities of any class of voting securities or equity securities of the listed issuer; and

~~(xii)~~(xvi) **"public float"** means the number, known to the issuer after reasonable inquiry, of securities of the class which are issued and outstanding, less the number of securities of the class beneficially owned, or over which control or direction is exercised by:

- (a) the listed issuer;
- (b) every senior officer or director of the listed issuer;
- (c) every principal security holder of the listed issuer; and
- (d) the number of securities that are pooled, escrowed or non-transferable;

~~(xiii)~~(xvii) **"put option agreement"** means an OTC agreement between the listed issuer and the counterparty governing the terms of the put option and constituting the put option contract in respect of which the underlying interest is the listed security which is the subject of the normal course issuer bid and pursuant to which the counterparty will, in consideration of the payment of a premium to the listed issuer, have the option to require the listed issuer to acquire a number of securities issued by the listed issuer at a date and a price which are specified in the put option; and

(b) For the purposes of Sections 628, 629 and 629.1~~;~~

(i) a purchase shall be deemed to have taken place when the offer to buy or the offer to sell, as the case may be, is accepted;

- ~~(ii) (c) — For the purposes of Sections 628, 629 and 629.1, in calculating the number of securities acquired by the listed issuer, securities purchased by a person or company acting jointly or in concert with the listed issuer, as determined in accordance with Section 9091 of the OSA, during the period of an outstanding normal course issuer bid will be included; and~~
- ~~(d) — For the purposes of Section 93(3)(e) of the OSA, an issuer bid made through the facilities of TSX may only be completed; (iii) the number of securities that may be acquired by a listed issuer shall be adjusted to account for stock splits, consolidations and stock dividends, or other similar events.~~
- (c) For the purposes of Section 93(3)(e) of the OSA, an issuer bid may only be completed as a normal course issuer bid in accordance with Sections 629 and 629.1. A debt substantial issuer bid made through the facilities of TSX may only be completed in accordance with Section 629.2.

629. Special Rules Applicable to Normal Course Issuer Bids.

- (a) The provisions of this section shall apply to all normal course issuer bids.
- (b) The filing of a notice is a declaration by the listed issuer that it has a present intention to acquire securities. The notice must set out the number of securities that the listed issuer's board of directors has determined may be acquired rather than simply reciting the maximum number of securities that may be purchased pursuant to Section 628(a)(~~ix~~)(~~bxii~~)(c). A notice is not to be filed if the listed issuer does not have a present intention to purchase securities.
- (c) TSX will not accept a notice if the listed issuer would not meet the criteria for continued listing on TSX, assuming all of the purchases contemplated by the notice were made.
- (d) TSX requires that the listed issuer prepare and submit to TSX a draft of the notice containing the information prescribed by Form 12, Notice of Intention to Make a Normal Course Issuer Bid, found in Appendix H. When the notice is in a form acceptable to TSX, the listed issuer shall file the notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by TSX. The final form of the notice must be filed at least two clear trading days prior to the commencement of any purchases under the bid.
- (e) A normal course issuer bid shall not extend for a period of more than one year from the date on which purchases may begin.
- (f) The listed issuer will issue a press release indicating its intention to make a normal course issuer bid, subject to TSX acceptance, prior to acceptance of the executed notice by TSX. The press release shall summarize the material aspects of the contents of the notice, including the number of securities sought, the method of disposition of the securities, if applicable, the reason for the bid and details of any previous purchases in the preceding 12 month period, including the number of securities purchased and the average price paid. If a press release has not already been issued, a draft press release must be provided to TSX and the listed issuer shall issue a press release as soon as the notice is accepted by TSX. A copy of the final press release shall be filed with TSX.
- (g) The listed issuer shall include a summary of the material information contained in the notice in the next annual report, information circular, quarterly report or other document mailed to security holders. The document should indicate that security holders may obtain a copy of the notice, without charge, by contacting the listed issuer.
- (h) A normal course issuer bid may commence on the date that is two trading days after the later of:
- (i) the date of acceptance by TSX of the listed issuer's notice in final executed Form 12; or
 - (ii) the date of issuance of the press release required by Subsection (f) of this Section 629.
- ~~(i) Upon acceptance of the notice, TSX will publish a summary notification of the normal course issuer bid in its Daily Record.~~
- (j) — During a normal course issuer bid, a listed issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum percentages referred to in the definition of normal course issuer bid or (ii) provided that the issuer has increased its number of issued securities which are subject to the bid by at least 25% from the number of issued securities as at the date of acceptance of the notice of normal course issuer bid by TSX, the maximum percentages referred to in the definition of normal course issuer bid, as at the date of the amended notice. When the amended notice is in a form acceptable to TSX, the listed issuer shall file the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by TSX. The final form of the amended notice must be filed at least three clear trading days prior to the commencement of any purchases under the

amended bid. In addition, a draft press release must be provided to TSX and the listed issuer shall issue a press release as soon as the amended notice is accepted by TSX. A copy of the final press release shall be filed with TSX. Upon acceptance of the amended notice, TSX will publish a summary notification of the normal course issuer bid in its Daily Record.

- (k) A trustee or other purchasing agent (hereinafter referred to as a "trustee") for a pension, stock purchase, stock option, dividend reinvestment or other plan in which employees or security holders of a listed issuer may participate, is deemed to be making an offer to acquire securities on behalf of the listed issuer where the trustee is deemed to be non-independent. Trustees that are deemed to be non-independent are subject only to Subsections 629(k) and (l) and ~~(m)~~ and to the limits on purchases of the listed issuer's securities prescribed by the definition of "normal course issuer bid". Trustees that are non-independent must notify TSX before commencing purchases. A trustee is deemed to be non-independent where:
- (i) the trustee (or one of the trustees) is an employee, director associate or affiliate of the listed issuer; or
 - (ii) the listed issuer, directly or indirectly, has control over the time, price, amount and manner of purchases or the choice of the broker through which the purchases are to be made. The listed issuer is not considered to have control where the purchase is made on the specific instructions of the employee or security holder who will be the beneficial owner of the securities.

TSX should be contacted where there is uncertainty as to the independence of the trustee.

- (k) Within 10 days of the end of each month in which any purchases are made, whether the securities were purchased through the facilities of TSX or otherwise, the listed issuer shall report its purchases to TSX stating the number of securities purchased during its purchases that month, giving the average price paid and stating whether the securities have been cancelled, reserved for issuance or otherwise dealt with. Nil reports are not required. The listed issuer may delegate the reporting requirement to the broker appointed to make its purchases; however, the listed issuer bears the responsibility of ensuring timely reports are made. TSX periodically publishes a list of securities purchased pursuant to normal course issuer bids.

This paragraph also applies to purchases by non-independent trustees and to purchases by any party acting jointly or in concert with the listed issuer. Purchases by non-independent trustees and other parties acting jointly or in concert with the listed issuer are excluded from TSX's periodic publication of securities purchased pursuant to normal course issuer bids.

- ~~(m)~~ (l) TSX has set the following rules for listed issuers and brokers acting on their own behalf:

1. **Price Limitations** – It is inappropriate for a listed issuer making a normal course issuer bid to abnormally influence the market price of its securities. Therefore, purchases made by listed issuers pursuant to a normal course issuer bid shall be made at a price which is not higher than the last independent trade of a board lot of the class of securities which is the subject of the normal course issuer bid. In particular, the following are not "independent trades":
 - (a) trades directly or indirectly for the account of (or an account under the direction of) an insider of the listed issuer, or any associate or affiliate of the listed issuer;
 - (b) trades for the account of (or an account under the direction of) the broker making purchases for the bid; and
 - (c) trades solicited by the broker making purchases for the bid.
2. **Prearranged Trades** - It is important to investor confidence that all holders of identical securities be treated in a fair and even-handed manner by the listed issuer. Therefore, an intentional cross or pre-arranged trade is not ~~generally~~ permitted, unless such trade is made in connection with the block purchase exception.
3. **Private Agreements** - It is in the interest of security holders that transactions pursuant to an issuer bid should be made in the open market. This philosophy is also reflected in the OSA, which provides very limited exemptions for private agreement purchases. ~~TSX, therefore, will not normally accept a notice which indicates that~~ Therefore, purchases will ~~must~~ be made ~~other than~~ by means of open market transactions.
4. **Sales from Control** - Purchases pursuant to a normal course issuer bid shall not be made from a person or company effecting a sale from control block pursuant to Part 2 of Multilateral Instrument 45-102 *Resale of Securities* and ~~Section~~ Sections 630-633 of this Manual. It is the responsibility of the broker acting as agent for the listed issuer to

ensure that it is not bidding in the market for the normal course issuer bid at the same time as a broker is offering the same class of securities of the listed issuer under a sale from control.

5. **Purchases During a Circular Take-Over Bid** – A listed issuer shall not make any purchases of its securities pursuant to a normal course issuer bid during a ~~circular take-over~~ bid for those securities. This restriction applies during the period from the first public announcement of the bid until the termination of the period during which securities may be deposited under such bid, including any extension thereof. This restriction does not apply to purchases made solely as a trustee pursuant to a pre-existing obligation under a pension, stock purchase, stock option, dividend reinvestment or other plan.

In addition, if the listed issuer is making a securities exchange take-over bid, it shall not make any purchases of the security offered in the bid ~~other than those permitted by pursuant to OSC Policy 62-604 Rule 48-501 Trading During Distributions, Formal Bids and Share Exchange Transactions.~~

6. **Undisclosed Material Information** – A listed issuer shall not make any purchases of its securities pursuant to a normal course issuer bid while the listed issuer possesses any material information which has not been disseminated. Reference is made to the TSX Timely Disclosure policy in this regard.

7. **Block Purchase Exception** – A listed issuer may make one block purchase per calendar week which exceeds the daily repurchase restriction contained in Subsection 628(xiii)(a), subject to maximum annual aggregate limits. This block purchase exception may not be used on any day during which the issuer makes purchases under its normal course issuer bid.

8. **Purchases at the Opening and Closing** – A listed issuer shall not make any purchases of its securities pursuant to a normal course issuer bid at the opening of a trading session, or during the 30 minutes before the scheduled close of a trading session. However, purchases of securities pursuant to a normal course issue bid may be effected through the market on close facility.

(m) A listed issuer shall appoint only one broker at any one time as its broker to make purchases. The listed issuer shall inform TSX in writing of the name of the responsible broker and registered representative. The broker shall be provided with a copy of the notice and be instructed to make purchases in accordance with the provisions of Sections 628, 629 and 629.1 and the terms of such notice. To assist TSX in its surveillance function, the listed issuer is required to receive prior written consent of TSX where it intends to change its broker.

(en) Failure to comply with any requirement herein may result in the suspension of the bid.

629.1 Use of Derivatives and Accelerated Buy Backs in Conjunction with Normal Course Issuer Bids

Application

- (a) Unless otherwise specifically modified by the terms of this Section 629.1, all provisions of Section 628 or 629 shall apply to derivatives and accelerated buy backs entered into by the listed issuer.
- (b) A listed issuer shall not enter into a derivative or accelerated buy back unless:
1. the listed issuer has filed a notice which has been accepted by TSX; and
 2. such derivative or accelerated buy back provides that:
 - (i) the counterparty will be bound by the provisions of this Section;
 - (ii) the interest of the counterparty under the derivative or accelerated buy back may only be assigned with the prior written consent of TSX; and
 - (iii) the interest of the counterparty under the derivative or accelerated buy back may only be assigned to another counterparty.
- (c) Counterparties must ensure that all hedging activities or other trading associated with derivatives or accelerated buy backs (and other similar securities, whether or not such securities contemplate physical or cash delivery for settlement) comply with Policy 2.1 - Just and Equitable Principles and Policy 2.2 - Manipulative and Deceptive Method of Trading under the Universal Market Integrity Rules for Canadian Marketplaces.

- (d) A derivative that provides for exclusive "cash settlement" is not considered by TSX to constitute a transaction which is subject to this Section 629.1.

Terms of Derivatives and Accelerated Buy Backs

- ~~(d)~~(e) Each derivative used in conjunction with a normal course issuer bid shall be an OTC agreement with a counterparty.
- ~~(e)~~(f) The exercise price of a put or call option will be as negotiated by the listed issuer and the counterparty provided that the exercise price shall not exceed the aggregate of:
1. the price of the last independent trade of a board lot on TSX of the underlying interest at the time the exercise price has been agreed upon; and
 2. the premium per unit of the underlying security which will be received by the issuer or the counterparty on the writing of the put or call option, respectively.
- ~~(f)~~(g) The purchase price of securities under a forward purchase contract or an accelerated buy back will be as negotiated by the listed issuer and the counterparty provided that the purchase price shall not exceed the price of the last independent trade of a board lot on TSX at the time the purchase price has been agreed upon.
- ~~(g)~~(h) Each derivative or accelerated buy back must expire on or before the last day on which purchases of securities may be made by the listed issuer under the normal course issuer bid.
- ~~(h)~~(i) Each derivative shall provide for settlement by the physical delivery of the underlying interest.
- ~~(i)~~(j) Notwithstanding subsection ~~(hi)~~, a derivative may provide for a cash settlement where:
1. the purchase of listed securities of the listed issuer by the listed issuer would not be permitted pursuant to the applicable securities legislation; or
 2. a take-over bid has been publicly announced for the securities which are the subject of the normal course issuer bid.

Restrictions on the Number of Listed Securities Subject to Derivatives and Accelerated Buy Backs

- ~~(j)~~(k) At any time during the period of the normal course issuer bid, the aggregate of the number of listed securities which are subject to outstanding derivatives and accelerated buy backs and the number of listed securities acquired by the listed issuer prior to that time under the normal course issuer bid (including any listed securities acquired by the listed issuer on the exercise of any derivative) shall not exceed the greater of:
1. 5% of the number of issued and outstanding securities (excluding any listed securities held by or on behalf of the listed issuer) at the date of acceptance of the notice by TSX; and
 2. 10% of the public float of the listed securities at the date of acceptance of the notice by TSX.
- ~~(k)~~(l) ~~At any~~ if the listed issuer is not an investment fund, at no time during the period of the normal course issuer bid, a listed issuer may not: (i) enter into or exercise a derivative, or (ii) make a purchase in the open market pursuant to the normal course issuer bid, if the aggregate of:
1. any listed securities purchased on a particular day by a counterparty to a derivative in connection with such derivative;
 - ~~1.2.~~ any listed securities purchased on a particular day by the listed issuer on the exercise of a derivative counterparty to an accelerated buy back in connection with such accelerated buy back; and
 - ~~2.3.~~ any listed securities purchased by the listed issuer in the open market pursuant to the normal course issuer bid on a particular day, excluding any listed securities purchased pursuant to the block purchase exception,
- exceeds the greater of: (i) 25% of the average daily trading volume of the listed securities of that class and (ii) 1,000 securities, unless such purchase is made pursuant to a block exception as at the date the derivative is entered into, excluding any purchases made by the listed issuer under its normal course issuer bid and (ii) 1,000 securities contained in Subsection 629(l)(7).

- (m) ~~Derivative~~ If the listed issuer is an investment fund, at no time during the period of the normal course issuer bid may the aggregate of:
1. any listed securities purchased in the preceding 30 days by a counterparty to a derivative in connection with such derivative;
 2. any listed securities purchased in the preceding 30 days by a counterparty to an accelerated buy back in connection with such accelerated buy back; and
 3. any listed securities purchased by the listed issuer in the open market pursuant to the normal course issuer bid in the preceding 30 days.
- exceed 2% of the securities of that class outstanding on the date of acceptance of the notice of normal course issuer bid by TSX.
- (n) Purchases by a listed issuer of its listed securities from a counterparty pursuant to a derivative or accelerated buy back are not subject to the restrictions on daily repurchases contained in Subsection 628(xii)(a) and (b), prearranged trades contained in Subsection 629(l)(2), private agreement contained in Subsection 629(l)(3) and the block purchase exception contained in Subsection 629(l)(7), provided that any listed securities purchased by a counterparty in connection with a derivative or accelerated buy back are purchased in accordance with all of the restrictions contained in Subsection 629(l).

Reporting and Disclosure Requirements

- ~~(l)(o)~~ The intention of the listed issuer to enter into a derivative or accelerated buy back as part of a normal course issuer bid must be disclosed in the notice and in the press release required by ~~Subsection 629~~ Subsections 629 (d) and (f).
- ~~(m)(p)~~ A copy of each derivative or accelerated buy back agreement, and any amendment thereto, shall be filed with TSX within 10 days of execution and each derivative ~~and~~ or accelerated buy back amendment shall be subject to the approval of TSX.
- ~~(n)(q)~~ Each derivative or accelerated buy back shall be treated as a confidential document and will not be placed in the public record by TSX.
- ~~(o)(r)~~ The listed issuer shall be responsible for:
1. ensuring compliance with restrictions on the number of listed securities as imposed by Sections 628, 629 and 629.1; and
 2. reporting to TSX details of all open market purchases and acquisitions on the exercise of derivatives or pursuant to an accelerated buy back during a calendar month within 10 days following the month end.
- ~~(p)(s)~~ The listed issuer may not delegate to the counterparty the responsibility for compliance and reporting as set forth in Subsection 629.1 ~~(e)~~.

Counterparties to Derivatives

- ~~(q)(t)~~ Notwithstanding any other provision of Sections 628, 629 and 629.1, the listed issuer shall be entitled to use one participating organization as broker for open market purchases under the normal course issuer bid and another participating organization as a counterparty to the derivative or accelerated buy back or as an agent for the counterparty if such counterparty is not a participating organization.
- ~~(r)(u)~~ The listed issuer may change the counterparty for the purposes of this Section 629.1 if:
1. the counterparty has ceased hedging activities related to any outstanding derivative; or
 2. all derivatives or accelerated buy backs with the counterparty have expired or otherwise been settled.

Corporate and Securities Law Compliance

- ~~(s)(v)~~ The listed issuer has the obligation to ensure any derivative or accelerated buy back entered into is in accordance with the corporate law under which the listed issuer is organized and the articles, by-laws or other charter documents of the listed issuer.

~~(t)(w)~~ The listed issuer has the obligation to ensure that the writing of any ~~OTCover the counter~~ option, as a distribution of securities, is undertaken pursuant to the granting of an exemption order from applicable securities legislation.

~~(u)(x)~~ TSX may require, prior to the approval of any normal course issuer bid which will permit the listed issuer to enter into derivatives or accelerated buy backs, the submission of a legal opinion or other evidence satisfactory to TSX that the listed issuer is permitted to enter into such derivative or accelerated buy back (including compliance with any applicable corporate law). The listed issuer has the obligation to ensure that its entering into of a derivative or accelerated buy back is pursuant to an order exempting the issuer from applicable securities legislation regarding issuer bids.

“Cash Settled” Arrangements

~~(v)~~ A derivative that provides for exclusive “cash settlement” is not considered by TSX to constitute a transaction which is subject to this Section 629.1.

629.2 Debt Substantial Issuer Bids

- (a) The provisions of this section shall apply to a debt substantial issuer bid provided that:
- (i) there is no legal or regulatory requirement to provide a valuation of the securities that are the subject of the bid to security holders; or
 - (ii) exemptions from all applicable requirements have been obtained.
- (b) A listed issuer making a debt substantial issuer bid shall file with TSX a notice in the form of Form 13 found in Appendix H, together with a filing fee prescribed by Part VIII and shall not proceed with the bid until the notice has been accepted by TSX.
- (c) Immediately after TSX has accepted notice of the debt substantial issuer bid, the listed issuer shall:
- (i) disseminate details of the bid to the media in the form of a press release in a form approved by TSX; and
 - (ii) communicate the terms of the bid by advertising in the manner prescribed by TSX, or by such other means as may be approved by TSX.
- (d) A book for receipt of tenders to the debt substantial issuer bid shall be opened on TSX not sooner than the thirty-fifth calendar day after the date on which notice of the bid is accepted by TSX and at such time, and for such length of time, as may be determined by TSX.
- (e) Where in a debt substantial issuer bid, more securities are tendered than the number of securities sought, the listed issuer shall take up a proportion of all securities tendered equal to the number of securities sought divided by the number of securities tendered, and participating organizations shall make allocations in respect of securities tendered in accordance with the instructions of TSX.
- (f) In respect of a bid:
- (i) no participating organization shall knowingly assist or participate in the tendering of more securities than are owned by the tendering party; and
 - (ii) tendering, trading and settlement by participating organizations shall be in accordance with such rules as TSX shall specify to govern each bid.
- (g) If a listed issuer makes or intends to make a debt substantial issuer bid, neither the listed issuer nor any person acting jointly or in concert with the listed issuer shall enter into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the listed issuer subject to the bid that has the effect of providing to the holder or owner, a consideration of greater value than that offered to the other holders of the same class of securities.
- (h) A notice of amendment shall be filed with the TSX for any proposed amendment to the terms of the bid. The proposed amendment will only be effective upon the acceptance of the TSX.
- (i) Where the listed issuer becomes aware of a material change in any of the information contained in the notice in respect of a debt substantial issuer bid, the listed issuer shall file with the TSX forthwith a notice of amendment. The proposed amendment will only be effective upon the acceptance of the TSX.

- (j) Immediately upon acceptance of the notice of amendment by the TSX, the listed issuer shall issue a press release containing a summary of the information set forth in such notice of amendment, including reference to any change in the date of the book.

APPENDIX B

From	Comments	TSX Response
A		
<p>Peter W. Kay Senior Vice President Capital Management CIBC</p>	<p>1) General Overall, I am supportive of the approach you are taking, particularly with respect to the intention to simplify and harmonize the regulations.</p>	<p>1) General Thank you for your comment.</p>
	<p>2) Volume Purchase Restriction Calculating the 25% volume purchase restriction based on the month prior to the date of TSX acceptance of the bid raises the prospect of using an unrepresentative month as a base. It would be more appropriate to recalculate the volume purchase restriction on an ongoing basis and it would also be beneficial to have greater harmonization between the method TSX uses in calculating “average daily trading volume” and that used by the SEC in Rule 10b-18.</p>	<p>2) Volume Purchase Restriction TSX appreciates your concerns and agrees that the 25% volume purchase restriction based on the month prior to the date of TSX acceptance of the bid may be unrepresentative of usual trading in the securities of an issuer. Consequently, the definition of average daily trading volume (“ADTV”) has been amended as follows:</p> <p>“average daily trading volume” or “ADTV” means the trading volume <u>on TSX</u> for the most recently completed calendar month<u>six months</u> preceding the date of acceptance of the notice of normal course issuer bid by TSX, <u>excluding any purchases made by the listed issuer under its normal course issuer bid during such six months, calculated as the total volume for the month</u> divided by the number of trading days for the relevant month<u>six months</u>. In the case of listed securities which have been listed on TSX for a period of less than six months, the <u>ADTV for such securities shall be based on the period since the date of listing, but must be at least four weeks preceding the date of acceptance of the notice of normal course issuer bid by TSX;</u></p> <p>The use of a fixed limit rather than a rolling limit makes it easier for buying brokers to comply with the daily purchase restrictions and makes it easier for TSX to monitor and enforce its NCIB policy.</p>
	<p>3) Unusual situations It is not clear that there is a mechanism under the new requirements for applying to TSX for an exemption from the volume purchase restrictions in unusual circumstances. It would be preferable to include such a process.</p>	<p>3) Unusual situations Although not included in the request for comments, pursuant to Section 603, TSX has discretion to grant exemptions from any of the requirements contained in Parts V or VI of the Manual. TSX will exercise its discretion having regard to the factors described in Section 603. For instance, the merger transaction completed between Manulife Financial Corporation and John Hancock Financial Services, Inc. was considered unusual by TSX and consequently, we used our discretion to provide certain exemptive relief.</p>

From	Comments	TSX Response
		<p>Pursuant to Section 629(i), a listed issuer may also amend its notice in certain stated circumstances in order to increase the number of securities that may be purchased.</p>
	<p>4) Block purchase exception It would appear that the regulations do not contemplate purchases of large blocks (i.e. blocks in excess of the 25% daily volume limit). We would suggest that consideration be given to allowing some sort of relief for block purchases, perhaps along the line of that provided by SEC regulations in Rule 10b-18.</p>	<p>4) Block purchase exception Section 629 has been amended to allow block purchases of securities, other than investment funds, in certain specific circumstances.</p> <p>Section 629 (l)(7) has been added:</p> <p><u>Block Purchase Exception – A listed issuer may make one block purchase per calendar week which exceeds the daily repurchase restriction contained in Subsection 628(xiii)(a), subject to maximum annual aggregate limits. This block purchase exception may not be used on any day during which the issuer makes purchases under its normal course issuer bid.</u></p> <p>Section 629(a)(iii) has also been included:</p> <p><u>“block” means a quantity of securities that either:</u></p> <ul style="list-style-type: none"> (a) <u>has a purchase price of \$200,000 or more; or</u> (b) <u>is at least 5,000 securities and has a purchase price of at least \$50,000; or</u> (c) <u>is at least 20 board lots of the security and total 150% or more of the ADTV for security;</u>
	<p>5) Debt Substantial Issuer Bids The proposals are inconsistent with normal practice in the over-the-counter markets for the vast majority of debt instruments, and would suggest that the imposition of these types of rules would provide a considerable disincentive for listing debt securities on the TSX.</p>	<p>5) Debt Substantial Issuer Bids TSX is of the opinion that Section 629.2 on Debt Substantial Issuer Bids is necessary in order to maintain a quality market place and ensure that security holders can participate equally and thus be treated fairly.</p> <p>Please also note that the proposed rules provide that “an offer by a listed issuer to acquire securities in accordance with the terms and conditions attaching thereto that permit the purchase or acquisition of the securities by the issuer without the prior agreement of the owners of the securities” is not covered by the definition of “issuer bid” and consequently not subject to the policy on DSIBs.</p>

From	Comments	TSX Response
B		
<p>Ms. Michelle Peacock Equity Division BMO Nesbitt Burns Inc.</p>	<p><u>1) Volume Purchase Restriction</u> The 25% volume restriction should be recalculated each calendar month or on the preceding 4 weeks, to align with US rules.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #A2 above.</p>
	<p><u>2) Average Daily Trading Volume</u> The ADTV used to calculate the volume purchase restriction should be based on volume on all marketplaces, not just TSX volume.</p>	<p><u>2) Average Daily Trading Volume</u> If we were to calculate the ADTV based on volume on all marketplaces, we believe that it would artificially inflate volume and consequently, allow issuers to unduly affect the market price of their securities by purchasing a larger number of securities than would otherwise be permitted.</p> <p>As a result, Section 628(a)(ii) has been amended as follows:</p> <p>“average daily trading volume” or “ADTV” means the trading <u>volume on TSX</u> for the most....</p>
	<p><u>3) Hedging Activity and Regulations</u> The hedging activity associated with a derivative is appropriately regulated by the Universal Market Integrity Rules (“UMIR”). Reference is made to Policy 2.1 – Just and Equitable Principles and Policy 2.2 – Manipulative and Deceptive Methods of Trading under UMIR.</p>	<p><u>3) Hedging Activity and Regulations</u> Thank you for your comment.</p>
	<p><u>4) Derivatives and Physical Delivery</u> The hedging activity associated with a physical delivery should be subject to the requirements of proposed sections 628, 629 and 629.1. The hedging activity culminating in delivery associated with the over-the-counter derivatives, although indirect, has the same potential for market impact as a direct NCIB and is the result of a transaction undertaken by the issuer.</p>	<p><u>4) Derivatives and Physical Delivery</u> The requirements related to derivatives used in conjunction with an NCIB are limited to those derivatives which are settled by physical delivery of the underlying security as stated in section 629.1(d).</p>
	<p><u>5) Derivatives and Cash Settlement</u> We do not believe that sections 628 and 629 should apply to exclusively cash-settled derivatives. Hence, section 629.1 (a) should not apply.</p>	<p><u>5) Derivatives and Cash Settlement</u> Thank you for your comment. Derivatives which provide for exclusive cash settlement have been excluded from the application of the new rules as the listed issuer does not ultimately repurchase its own securities but rather settles by cash payment. TSX does not intend to regulate or monitor cash-settled derivatives.</p>
	<p><u>6) Debt Substantial Issuer Bids</u> Repurchase conditions are clearly defined in the trust indentures governing the bonds and may</p>	<p><u>6) Debt Substantial Issuer Bids</u> Please see our response to comment #A5 above.</p>

From	Comments	TSX Response
	<p>be in conflict with TSX rules. We recommend that all bonds be treated consistently, whether listed or unlisted.</p>	
C		
<p>Nicolle D. Irving Vice President Trading Administration & Compliance GMP Securities Ltd.</p>	<p><u>1) Volume Purchase Restriction</u> The proposed changes, including amendment to the volume purchase restriction, will significantly and negatively impact small listed companies and stocks that are not highly liquid. Would it be more prudent to establish a “high volume issuer” test and give them the choice to use the “daily average method” while allowing the lower volume issuers to maintain the 2% limit?</p>	<p><u>1) Volume Purchase Restriction</u> We continue to believe that the 25% volume purchase restriction should apply to all issuers listed on TSX. TSX had originally proposed to provide an exemption to the 2% purchase restriction for those issuers with high trading volumes on TSX only. However, following the receipts of comments, we decided to adopt the 25% limit for all issuers other than investment funds. One of the principles of NCIB policies has always been that an issuer should not have a significant impact on the market price of its securities by virtue of purchases made under its NCIB.</p> <p>In order to provide more flexibility to issuers, including those with less liquid stocks, wishing to purchase securities above the 25% threshold on a very specific occasion, TSX now allows an issuer to benefit from a block purchase exception. Please refer to our response provided in #A4 above.</p> <p>We have retained the 2% limit for investment funds, which have the same meaning as that found in National Instrument 51-102 <i>Continuous Disclosure Obligations</i>. The valuation of investment funds is generally accessible through the net asset value of the fund, which in turn is a reflection of market value.</p>
	<p><u>2) Block purchase exception</u> Currently NCIBs can be used to purchase selling interest in the marketplace on blocks thus removing the risk of price declines on volume sales or for discount bids. Block trading can significantly impact thinly traded securities and in most cases not accurately reflect the value of the company.</p>	<p><u>2) Block purchase exception</u> Please see our response to comment #A4 above.</p>
	<p><u>3) Unrepresentative Limit</u> Another concern we have would be the possibility for manipulation of volumes prior to the acceptance of a bid to ensure highly volume limit and /or the manipulation of timely dissemination of news to manipulate volumes prior to a bid.</p>	<p><u>3) Unrepresentative Limit</u> TSX has amended its definition of ADTV in order to ensure that the 25% volume purchase restriction was representative of usual trading in an issuer’ securities and to avoid any manipulation. The ADTV is now based on a six month period prior to the date of TSX acceptance of the bid. Please also see our response to comment A#2 above.</p>

From	Comments	TSX Response
D		
<p>David M. Power Vice President Market Strategy and Execution Corporate Treasury RBC Financial Group</p>	<p><u>1) Block purchase exception</u> The proposed amendment does not provide for a block purchases exemption, and therefore, it might limit Canadian banks in their NCIB execution tactics in the future. As a result, we propose to either keep the current TSX volume limitation or to replicate the block purchases exemption in SEC’s safe harbor rule 10b-18.</p>	<p><u>1) Block purchase exception</u> Please refer to our response to comment #A4 above.</p>
	<p><u>2) Volume Purchase Restriction</u> We think that it would be sufficient for the 25% volume purchase restriction limit to be calculated once for the program in effect, as we do not anticipate great trading volatility and therefore significant month-to-month changes in the 25% purchase restriction.</p>	<p><u>2) Volume Purchase Restriction</u> Please refer to our response to comment #A2 above.</p>
	<p><u>3) Derivatives and Physical Delivery</u> The key condition set out in the amendment requires that each derivative must provide for physical delivery. As the <i>Bank Act</i> prohibits RBC from holding its own securities, this requirement would restrict the ability of RBC to enter into derivative transactions.</p>	<p><u>3) Derivatives and Physical Delivery</u> Securities which are repurchased by an issuer under an NCIB must, in most cases, be cancelled by the issuer, so this requirement is not unusual. In addition, please see our response to comments D#4 and #5.</p>
	<p><u>4) Harmonization with SEC Rule 10b-18</u> RBC is of the view that TSX should further harmonize the NCIB rules with the US safe harbor 10b-18 rules, so that the banks that are listed on both US and Canadian stock exchanges can comply with both set of rules, and the <i>Bank Act</i>, without unnecessary conflicts.</p>	<p><u>4) Harmonization with SEC Rule 10b-18</u> We have reconsidered the safe harbour rule and made changes where we believed appropriate, including an exception for block purchase as noted above.</p>
E		
<p>John F. Kyle Vice President & Treasurer Treasurer’s Department Imperial Oil Limited</p>	<p><u>1) Exceptional Circumstances</u> Imperial Oil Limited has been granted an exemption from TSX which allows its principal shareholder to participate in the program by making a block sale at the closing price each day after the close of normal trading hours and during the special trading session. The block amount is calculated based on shares purchases from the minority shareholders such that the principal shareholder’s ownership is unchanged at the end of the day. We urge you to specify that open market trading (i.e. during normal trading hours) may not exceed 25% of the designated daily volume but to exclude from the limitation block trades at the closing price after the close of normal trading hours.</p>	<p><u>1) Exceptional Circumstances</u> TSX will deal with unique requests, such as Imperial’s, on a case by case basis by using its discretion as stated in section 603.</p> <p>Please also note that issuers will now be able to rely on a block purchases exception. Please refer to our response to comment #A4 above.</p>

From	Comments	TSX Response
F		
Jeff Glass Blake, Cassels & Graydon LLP	<p><u>1) Volume Purchase Restriction</u> I believe that additional analysis is required before the 2% purchase restriction is replaced, particularly given the impact that the amendment will have on NCIB purchases of less liquid securities.</p> <p>In the context of Canadian markets it is not uncommon for the decision of a very few retail investors to move the market in a material way contributing to significant price volatility. Additional liquidity for investors in such circumstances and the resulting price stability are each desirable result. As I understand it, the decision to base the amendment on SEC's rule 10b-18 was made in the context of an effort to accommodate high volume stocks and in my view, more consideration should be given to the potential impact of the amendment on less liquid securities.</p>	<p><u>1) Volume Purchase Restriction</u> We believe that the 25% volume purchase restriction should apply to all listed issuers notwithstanding their size, with the exception of investment funds. Please refer to our response to comment #C1 above.</p>
	<p><u>2) Average Daily Trading Volume</u> In my view, rather than fixing ADTV as at the date TSX accepts the NCIB notice, ADTV should be recalculated every trading day based on the trading volume in the prior 20 trading days in order that the 25% volume restriction is determined on the basis of influences on the market at the time such purchases are made.</p>	<p><u>2) Average Daily Trading Volume</u> Please see our response to comment #A2 above.</p>
	<p><u>3) Block purchase exception</u> Given the impact of section 628(a)(ix)(a) on the level of purchases that would be permitted in respect of illiquid securities, TSX should give consideration to adopting a block purchase exemption.</p>	<p><u>3) Block purchase exception</u> Please see our response to comment #A4 above.</p>
G		
Osler, Hoskin & Harcourt	<p><u>1) General comment</u> We are of the view that it would be helpful if TSX would confirm in the new rules that they are intended to apply only in connection with a NCIB made through the facilities of TSX, in order to remove any ambiguity with respect to a NCIB made through another stock exchange.</p>	<p><u>1) General comment</u> We agree with your comment and Section 628(a)(xii) has been amended as follows: ““issuer bid” means an offer, <u>made through the facilities of TSX</u>, to acquire listed securities...”</p>
	<p><u>2) Average Daily Trading Volume</u> We are of the view that the 25% volume restriction should not be fixed solely with reference to the calendar month immediately preceding the date of acceptance of the notice of NCIB by TSX, as this creates a static and arbitrary volume restriction that may not reflect</p>	<p><u>2) Average Daily Trading Volume</u> Please see our response to comment #A2 above.</p>

From	Comments	TSX Response
	<p>the changing circumstances of the issuer during the life of the issuer bid. It would be preferable to use a "rolling" 30-day period as the appropriate measure, or, failing that, a 30-day period ended on the most recent month-end.</p>	
	<p>3) Block purchase exception It would be helpful to have the opportunity to exceed the 25% limit where circumstances warrant, presumably on application to TSX – such circumstances might include foreseeable events that will lead to exceptional sources of liquidity, such as a substantial issuance of shares pursuant to a merger or acquisition.</p>	<p>3) Block purchase exception TSX will now allow block purchases. Please see our response to comment #A4 above.</p> <p>As stated in Section 603, TSX has also discretion to grant exemptions under special circumstances.</p>
	<p>4) Derivatives and ADTV The integration of the daily repurchase restriction with the derivatives rules in section 629.1(k) strikes us as having been drafted in such a way as will likely create problems for the implementation of derivative programs in the manner usually contemplated. This is created in particular by the inclusion of the first subclause (i) ("enter into or exercise a derivative") with the language and purchase restrictions that follow.</p>	<p>4) Derivatives and ADTV We agree with your comment and have amended Section 629.1(l) (formerly Section 629.1(k)) and added new Section 629.1(m) as follows:</p> <p>(l) At any<u>If the listed issuer is not an investment fund, at no time during the period of the normal course issuer bid a listed issuer may not:</u> (i) enter into or exercise a derivative, or (ii) make a purchase in the open market pursuant to the normal course issuer bid, if the aggregate of:</p> <ol style="list-style-type: none"> 1. <u>any listed securities purchased on a particular day by a counterparty to a derivative in connection with such derivative;</u> 2. <u>any listed securities purchased on a particular day by the listed issuer on the exercise of a counterparty to an accelerated buy back in connection with such accelerated buy back; and</u> 3. <u>any listed securities purchased by the listed issuer in the open market pursuant to the normal course issuer bid on a particular day, excluding any listed securities purchased pursuant to the block purchase exception,</u> <p><u>exceed the greater of: (i) 25% of the average daily trading volume of the listed securities of that class and (ii) 1,000 securities, unless such purchase is made pursuant to a block exception as at the date the derivative is entered into, excluding any purchases made</u></p>

From	Comments	TSX Response
		<p>by the listed issuer under its normal course issuer bid and (ii) 1,000 securities contained in Subsection 629(1)(7).</p> <p>(m) <u>If the listed issuer is an investment fund, at no time during the period of the normal course issuer bid may the aggregate of:</u></p> <ol style="list-style-type: none"> 1. <u>any listed securities purchased in the preceding 30 days by a counterparty to a derivative in connection with such derivative;</u> 2. <u>any listed securities purchased in the preceding 30 days by a counterparty to an accelerated buy back in connection with such accelerated buy back; and</u> 3. <u>any listed securities purchased by the listed issuer in the open market pursuant to the normal course issuer bid in the preceding 30 days.</u> <p><u>exceed 2% of the securities of that class outstanding on the date of acceptance of the notice of normal course issuer bid by TSX.</u></p>
	<p><u>5) Accelerated Share Buybacks</u> The US securities laws and stock exchange rules are flexible enough to facilitate accelerated share buybacks on a basis that ensures all investors have an opportunity to benefit from the issuer's repurchase and the consequent hedging activity of the dealer. In our view, TSX should consider amending the proposed amendments to permit accelerated share buybacks to occur in Canada through the facilities of TSX.</p>	<p><u>5) Accelerated Share Buybacks</u> Thank you for your comment. TSX has amended the rules in order to permit accelerated share buybacks. Section 629.1 has been amended accordingly.</p>
	<p><u>6) Price restrictions</u> Section 629(f) restricts the purchase price under the forward purchase contract to no more than the pricing of the last independent trade of a board lot, meaning that the issuer is consequently not allowed to incorporate a financing charge or spread beyond the market price of the security. In addition, we understand that the relevant pricing of a derivative is generally determined directly as a result of (and following) the counterparty's hedging transactions, which typically occur over the course of several days after the contract is made – meaning that the final price of the contract will reflect an average of purchases made over the course of several days, which may well exceed the spot market price on the date the contract is</p>	<p><u>6) Price restrictions</u> The price is restricted to an amount not higher than the last independent trade of a board lot in order to ensure that the counterparty does not have an incentive to conduct its hedging activity at escalating prices. In addition, it would not generally be in the issuers' economic interest to purchase its securities under a forward contract at a price higher than it could otherwise obtain such securities. Unlike a call option which may be exercised at the issuers' election, the forward purchase contract is a definitive purchase arrangement on a future date.</p>

From	Comments	TSX Response
	entered or on one or more dates during the period when the price is being determined.	
	<p>7) Definition of Normal Course Issuer Bid In our view, the opening words of the definition should read “means an <u>issuer bid</u> by a listed issuer”.</p>	<p>7) Definition of Normal Course Issuer Bid The definition of normal course issuer bid has been amended as follows: “<u>normal course issuer bid</u>” means an <u>issuer bid</u> by a listed issuer to acquire...”</p>
	<p>8) Definition of Circular The proposed amendments do not contain a definition of “circular bid”. We suggest that an adapted version of the definition of “circular” contained in current Section 6-101 of the Appendix F of the Company Manual be inserted.</p>	<p>8) Definition of Circular The definition of circular bid has been added and is as follows:: “<u>circular bid</u>” means a take-over bid or an <u>issuer bid made in compliance with the requirements of Part XX of the OSA or, if applicable, Part XVII of the Canada Business Corporations Act.</u></p>
	<p>9) Debt Substantial Issuer Bids In our view, this decision turns on the judgment by TSX as to the appropriate measures necessary to ensure a quality marketplace in listed securities, and is accordingly a matter for TSX to consider in its own best interest.</p>	<p>9) Debt Substantial Issuer Bids We thank you for your comment.</p>
H		
<p>Ted Larkin Head of Equity Capital Markets UBS Securities Canada Inc.</p>	<p>1) Block purchase exception TSX should permit one block exemption per week.</p>	<p>1) Block purchase exception Please see our response to comment #A4 above.</p>
	<p>2) Trading Restrictions No opening trades and no trading in the last 10 minutes should be permitted for NCIB purchases.</p>	<p>2) Trading Restrictions We agree with your comment and have added Section 629(l) 8: <u>Opening and Closing Purchases – A listed issuer shall not make any purchases of its securities pursuant to a normal course issuer bid at the opening of a trading session, or during the 30 minutes before the scheduled close of a trading session. However, purchases of securities pursuant to a normal course issuer bid may be effected through the market on close facility.</u></p>
	<p>3) Average Daily Trading Volume ADTV calculation should be based on prior 3 to 6 months on TSX only.</p>	<p>3) Average Daily Trading Volume Please see our response to comment #A2 above.</p>

From	Comments	TSX Response
<p>Michael J. Brady Counsel Market Policy and General Counsel's Office Market Regulation Services Inc. ("RS")</p>	<p>1) General RS believes that the amendments, as a whole are positive and will result in more effective regulation of NCIBs and DSIBs.</p> <p>RS believes that the proposal to implement a daily repurchase restriction represents a substantial improvement over the existing 2% restriction. By limiting the daily purchase to 25% of daily average trading volume, issuers will have more limited ability to affect the price of a security through NCIB purchases.</p>	<p>1) General Thank you for your comment.</p>
	<p>2) Volume Purchase Restriction RS believes that the 25% volume purchase restriction should be recalculated each calendar month rather than be determined as of the date of acceptance of the NCIB by TSX. By calculating the restriction each month, the repurchase amount will more accurately reflect the liquidity of the security at the time of the purchases. By basing a daily repurchase amount on an outdated calculation made at the date of the approval of the NCIB, there is an increased likelihood that purchases under the NCIB may have a considerable impact on trading in a security.</p> <p>If the ADTV is to be determined at the time of acceptance of the NCIB, RS believes that it would be appropriate to calculate this amount based on trading during a larger period than a calendar month preceding the date of acceptance of the NCIB. RS would suggest that the calculation of the ADTV calculated over a three-month period might more accurately reflect historic trading volumes for the security and will be less subject to volatility due to one-time events.</p>	<p>2) Volume Purchase Restriction We thank you for your comment. Please see our response to comment #A2 above.</p>
	<p>3) Derivatives and ADTV The proposed move from a monthly restriction on the size of NCIB activity equal to 2% of the issued and outstanding securities to 25% of ADTV may impose practical limitations on the use of derivatives in connection with an NCIB.</p>	<p>3) Derivatives and ADTV Please see our response to comment #G4 above.</p>
	<p>4) Derivatives and Cash Settlement Extending the ambit of section 629.1 to include cash settled derivatives would ensure that the issuer does not have an indirect impact on the market for its securities.</p>	<p>4) Derivatives and Cash Settlement TSX does not intend to regulate derivatives which provide for exclusive cash settlement as the listed issuer does not repurchase its own securities.</p>

From	Comments	TSX Response
	<p><u>5) Debt Substantial Issuer Bids</u> RS supports TSX proposal regarding Debt Substantial Issuer Bids. As a listed security, the issuer should treat the holders equally and fairly with respect to repurchases.</p>	<p><u>5) Debt Substantial Issuer Bids</u> Thank you for your comment.</p>
	<p><u>6) Definition of ADTV</u> The definition of ADTV should ensure that the calculation will be adjusted to account for splits, consolidations, dividends paid through the issuance of securities or similar transactions</p>	<p><u>6) Definition of ADTV</u> We agree with your comment and have added Section 628(b)(ii): “For the purposes of Sections 628,629,629.1:… (iii) the number of securities that may be acquired by a listed issuer shall be adjusted to account for stock splits, consolidations and stock dividends, or other similar events..”</p>
	<p><u>7) Definition of NCIB</u> In the first line of the definition, the term “bid by a listed issuer” is used. RS believes that the correct reference should be to “issuer bid”.</p>	<p><u>7) Definition of NCIB</u> Please see our response to comment #G7 above.</p>
	<p><u>8) Amendment to the size of NCIB</u> Section 629(j) is acceptable to RS. However, it should be made clear in this section whether the amended notice amounts to a new NCIB providing limits for a further 12 months from the date of the amended notice or whether the new limits apply for the remaining period of the original notice. If the provision is being made for an increase in the size of an NCIB where the issued capital has increased by 25%, should there be a comparable provision governing the reduction of the size of the NCIB if the issued capital has decreased by 25% or more.</p>	<p><u>8) Amendment to the size of NCIB</u> We believe it is clear that the amendment will only apply to the remaining term of the NCIB.</p>
	<p><u>9) Pre-arranged Trades</u> The final sentence of clause 629(m) Part 2 refers to the fact that “a cross or pre-arranged trade is not generally permitted”. RS proposes that the sentence should read “an intentional cross or pre-arranged trade is generally not permitted”. Unintentional crosses which are executed by the trading system without knowledge that the order on the other side of the market is a bid pursuant to a NCIB should not be restricted.</p>	<p><u>9) Pre-arranged Trades</u> The final sentence of Section 629(l) 2., (formerly Section 629(m) 2.) has been amended as follows: “...Therefore, an intentional cross or pre-arranged trade is not permitted.”</p>
J		
<p>Christopher S.L. Hoffman Executive Vice-President</p>	<p><u>1) Volume Purchase Restriction</u> Brompton Group is concerned with the fact that the maximum daily purchase amount will be calculated based on the ADTV in the month</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #A2 above.</p>

From	Comments	TSX Response
Brompton Group	immediately preceding TSX acceptance of the NCIB notice. If for some reason, there was very little trading in the month before acceptance of the NCIB notice, an issuer's ability under an NCIB will be substantially limited.	
	<p>2) IPOs</p> <p>Each of Brompton fund implements its NCIB immediately after completion of the initial public offering. It appears that under the revised proposal, this would result in the daily repurchase restriction being zero.</p>	<p>2) IPOs</p> <p>We have amended the definition of "normal course issuer bid" to retain the 2% over 30 days buyback restrictions for listed issuers who are investment funds. As a result, the 4 week minimum trading requirement after an IPO will not apply to investment funds.</p>
	<p>3) Exemption to ADTV</p> <p>The revised proposal will significantly limit the ability of issuers whose securities are stable and not highly traded. The effect will be that unitholders in certain issuers will not be able to obtain the benefits which are currently available under an NCIB. We believe this result is inappropriate and unanticipated. We submit that the proposed amendment should retain the current 2% monthly purchase restriction even if other rules are provided for high trading issuers.</p>	<p>3) Exemption to ADTV</p> <p>Please see our response to comment #C1 above. One of the principles of NCIB policies has always been that an issuer should not have a significant impact on the market price of its securities by virtue of purchases made under its NCIB.</p>
K		
<p>Heather Crawford Counsel Clairvest Group Inc.</p>	<p>1) Exemption to ADTV</p> <p>Clairvest believes that the proposed changes to the 2% purchase restriction will negatively affect small companies and stocks that may suffer periods of poor liquidity. We believe that while the proposed changes which replace the 2% monthly purchase restriction with a 25% ADTV cap may be appropriate for an issuer with large trading volumes, it is not appropriate for issuers with much lower trading volumes. Shareholders of these companies with small capitalization are adversely affected.</p> <p>While we believe that the current 2% monthly restriction works for all market participants, we would accept a different test for issuers with high trading volumes provided that the 2% monthly restriction was continued for companies with less liquid securities.</p>	<p>1) Exemption to ADTV</p> <p>Please see our response to comment #C1 above.</p>
L		
<p>Simon Romano Stikeman Elliot</p>	<p>1) Definition of OTC</p> <p>How does the definition of OTC cover trading on other marketplaces?</p>	<p>1) Definition of OTC</p> <p>The definition contemplates trading through the facilities of any exchange. Therefore a marketplace which is not an exchange would not fall within the definition.</p>

From	Comments	TSX Response
	<p><u>2) Definition of Public Float</u> Should the definition of “public float” not have a knowledge qualification?</p>	<p><u>2) Definition of Public Float</u> Section 628(xvi) has been amended as follows: “Public float” means the number, <u>known to the issuer after reasonable inquiry,</u>”</p>
	<p><u>3) Crosses or Pre-Arranged Trades</u> The use of the word “generally” in section 629(m)(2) seems worthy of some elaboration. When might this be permitted?</p>	<p><u>3) Crosses or Pre-Arranged Trades</u> The term “generally” has been removed. Please see our response to comment #19 above.</p>
M		
<p>Stephen A. Weintraub Executive Vice President & Secretary Counsel Corporation</p>	<p><u>1) Volume Purchase Restriction</u> Counsel Corporation believes that the proposed elimination of the “2% in 30 days” restriction in favour of a “25% of ADTV restriction” will be detrimental to companies with smaller capitalization and low trading volumes. It would only exacerbate the illiquidity of the shares of smaller companies that do not have the benefit of research coverage or an institutional following and further discourage existing and potential shareholders. We believe that the current 2% restriction should remain in place for companies with smaller capitalizations although we make no recommendation as to what the capitalization threshold should be.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #C1 above.</p>
N		
<p>Michael D. Shabada, CA Vice President, Finance and CFO Melcor Developments Ltd.</p>	<p><u>1) Volume Purchase Restriction</u> Melcor Developments Ltd. generally believes that the proposed changes to the 2% purchase restriction will negatively affect small companies and stocks that may suffer periods of poor liquidity. We believe that while the proposed changes which replace the 2% monthly purchase restriction with a 25% ADTV cap may be appropriate for an issuer with large trading volumes, it is not appropriate for issuers with much lower trading volumes. Shareholders of these companies with small capitalization will be adversely affected.</p> <p>While we understand that there may need to be a change required due to some specific situations, we believe that the current 2% monthly restriction works for all market participants including Melcor. We would strongly suggest that you take into consideration the effect of the proposed rules on all companies and not just the large ones.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #C1 above.</p>

From	Comments	TSX Response
O		
<p>C. Verner Christensen Vice President, Finance and Secretary Guardian Capital Group Limited</p>	<p><u>1) Volume Purchase Restriction</u> Guardian believes that the proposed changes to the 2% purchase restriction will negatively affect the stocks of smaller companies, which periodically go through periods of poor liquidity. While the proposed changes, which replace the 2% monthly purchase maximum with a 25% ADTV maximum, appear to be appropriate for issuers with large trading volumes, they are not appropriate for issuers, such as Guardian, with lower volumes.</p> <p>The current 2% rules allows issuers such as Guardian to participate in the market when the shares are considered undervalued, but the proposed rule does not do so. We would, therefore, encourage the TSX to continue the current policy for companies with less liquid shares.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #C1 above.</p>
P		
<p>Betty B. Horton, CA Vice President, Finance Sceptre Investment Counsel Limited</p>	<p><u>1) Volume Purchase Restriction</u> Sceptre believes that the proposed changes to the 2% purchase restriction will negatively affect small companies and stocks that may suffer periods of poor liquidity. We believe that while the proposed changes which replace the 2% monthly purchase restriction with a 25% ADTV cap may be appropriate for an issuer with large trading volumes, it is not appropriate for issuers with much lower trading volumes. Shareholders of these companies with small capitalization are adversely affected.</p> <p>While we believe that the current 2% monthly restriction works for all market participants, we would accept a different test (like the proposed ADTV) for issuers with high trading volumes provided that the 2% monthly restriction was continued for companies with less liquid securities.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #C1 above.</p>
Q		
<p>George Malikotsis Vice President, Finance Senvest Capital Inc.</p>	<p><u>1) Volume Purchase Restriction</u> We are particularly troubled by the proposal in the Amendments that would change the interim period volume restrictions on NCIBs from 2% of the relevant class of securities outstanding in any 30-day period to 25% of the ADTV of the relevant class of securities in any one day. This concern stems from the fact that for a company like Senvest whose shares are thinly traded, this will have the effect of greatly reducing our flexibility to purchase shares under our NCIB.</p>	<p><u>1) Volume Purchase Restriction</u> Please see our response to comment #C1 above.</p>

SRO Notices and Disciplinary Proceedings		
From	Comments	TSX Response
	<p>Perhaps a better approach would be to adopt a hybrid rule which would recognize the different needs and concerns of those listed companies with actively traded shares and those listed companies whose shares are thinly traded.</p> <p>2) Application of Section 629(m) In response to the concern that a NCIB should, in the case of an illiquid market, have an undue impact on the market price of the shares, we submit that the restrictions contained at Section 629(m) of the Amendments provide adequate protection in that regard.</p>	<p>2) Application of Section 629(l) (formerly Section 629(m)) Thank you for your comment. The restrictions in Section 629(l) (formerly Section 629(m)) provide necessary market protections during the operation of an NCIB, but do not address the larger issues affecting liquidity.</p>
R		
<p>Charles A. (Tony) Teare Executive Vice President Diaz Resources Ltd.</p>	<p>1) Volume Purchase Restriction Diaz believes that the proposed changes to the 2% per month purchase restriction will negatively affect small companies and stocks that may suffer periods of poor liquidity. Also, we believe the current system adequately protects the existing shareholders without adversely affecting the trading patterns of smaller companies with poorer liquidity.</p> <p>While Diaz believes that the current 2% monthly restriction works for all market participants, we would accept a different test for issuers with high trading volumes provided that the 2% monthly restriction was continued for companies with less liquid securities.</p>	<p>1) Volume Purchase Restriction Please see our response to comment #C1 above.</p>
S		
<p>Andrew Searby, CA Chief Financial Officer Liquidation World</p>	<p>1) Volume Purchase Restriction The proposed change to replace the 2% monthly purchase restriction with a 25% ADTV cap will negatively impact issuers with lower trading volumes. The current 2% rule allows small cap issuers to participate in the market when it believes that the shares are inappropriately undervalued. The proposed change would adversely affect issuers with low trading volume.</p>	<p>1) Volume Purchase Restriction Please see our response to comment #C1 above.</p>
T		
<p>John B. Walker Chief Financial Officer Bridges Transitions Inc.</p>	<p>1) Volume Purchase Restriction As our company has a thinly trade float, we support the position addressed in Clairvest Group Inc.'s letter.</p>	<p>1) Volume Purchase Restriction Thank you for your comment. Please see our response to comment #C1 above.</p>
U		
<p>Diane St.John Secretary Treasurer Reko International Group Inc.</p>	<p>1) Volume Purchase Restriction Reko believes that the proposed changes to the 2% purchase restriction will negatively affect small companies and stocks that may suffer</p>	<p>1) Volume Purchase Restriction Please see our response to comment #C1 above.</p>

From	Comments	TSX Response
	<p>periods of poor liquidity. We believe that while the proposed changes which replace the 2% monthly purchase restriction with a 25% ADTV cap may be appropriate for an issuer with large trading volumes, it is not appropriate for issuers with much lower trading volumes. Shareholders of these companies with small capitalization are adversely affected.</p> <p>While we believe that the current 2% monthly restriction works for all market participants, we would accept a different test (like the proposed ADTV) for issuers with high trading volumes provided that the 2% monthly restriction was continued for companies with less liquid securities.</p>	