

## POLICY 5.7

# SMALL SHAREHOLDER SELLING AND PURCHASE ARRANGEMENTS

### Scope of Policy

Holders of less than a Board Lot (“**odd lot holders**”) who wish to sell their shares or buy enough shares to increase their holding to a Board Lot are frequently charged a minimum commission by Members or Participating Organizations to execute a transaction. The minimum commission rates can make the sale or purchase of an odd lot relatively costly.

Issuers may reduce the number of odd lot holders by using the procedure set out in this Policy. The benefits to Issuers of reducing the number of odd lot holders include reducing the expenses of printing and distributing quarterly reports, annual reports, proxy solicitation materials, mailing dividend cheques, as well as expenses relating to the transfer agent. In addition, Members and Participating Organizations benefit by a reduction in the administrative costs of distributing shareholder materials to odd lot holders with shares registered in nominee form.

The procedure described below must be followed if an Issuer seeks the assistance of a Member to solicit odd lots for resale on the Exchange, or to offer to defray the commissions payable by odd lot holders in acquiring additional shares on the Exchange to make up a Board Lot. The main headings are:

1. General Requirements
2. Trading Odd Lots
3. Rules Applicable to Arrangements Through Members
4. Rules Applicable to Arrangements Through the Issuer
5. Obligations to Odd Lot Holders
6. Shareholders Eligible to Participate
7. Duration of an Arrangement
8. Dissemination of Information
9. Normal Course Issuer Bids
10. Powers of the Exchange

### 1. General Requirements

- 1.1 A “**Selling Arrangement**” exists when an Issuer agrees to pay a fee per odd lot account to Members to sell shares on behalf of odd lot holders. A “**Purchase Arrangement**” exists when an Issuer agrees to pay a fee per odd lot account to Members to purchase a sufficient number of shares on behalf of odd lot holders to constitute a Board Lot. An “**Arrangement**” means either a Selling Arrangement or a Purchase Arrangement.

- 1.2 The Issuer must request odd lot holders wishing to take advantage of an Arrangement to either:
- (a) place orders under the Arrangement with any Member of the Exchange; or
  - (b) transmit orders under the Arrangement directly to the Issuer or an agent (such as a Member, broker or transfer agent) designated by it.
- 1.3 If the option under subsection 1.2(a) is selected, a Member must be appointed as manager of the Arrangement and will be responsible for maintaining records of transactions and remitting the fees payable to other Members. Special procedures applicable to the options outlined in subsections 1.2(a) and (b) are set out in sections 4 and 5 below.

## 2. Trading Odd Lots

Under a Selling Arrangement the shares tendered by odd lot holders must be aggregated into Board Lots and sold promptly by a Member on the Exchange. Similarly, under a Purchase Arrangement a Member must promptly acquire a sufficient number of shares to increase an odd lot holder's holdings to a full Board Lot by purchases by the Member on the Exchange.

## 3. Rules Applicable to Arrangements Through Members

If odd lot holders will place orders with any Member of the Exchange for the Arrangement (option (a) under section 1.2):

- (a) Many odd lot holders may not have an account with a Member. To simplify administration of the Arrangement, new account forms are not required to be completed for odd lot holders and transactions under the Arrangement can be effected through an omnibus account. However, the Member must maintain proper records of orders as required by Exchange Requirements.
- (b) If required by the Issuer, Members selling odd lots on behalf of clients under a Selling Arrangement or purchasing shares under a Purchase Arrangement will prepare a signed statement that, to the best of the knowledge of the representative of the Member, the securities of each named beneficial owner sold under a Selling Arrangement constitute all of the securities owned by that beneficial owner and that the number of securities purchased under a Purchase Arrangement for each named beneficial owner is the number of securities required to increase that beneficial owner's holding to the level of one Board Lot, and will keep these statements in its files for inspection by the Exchange. Members are not required to disclose the names of their clients to the manager of an Arrangement or the Issuer.
- (c) If an odd lot is held in the name of a Member on behalf of a customer who wishes to sell his securities under a Selling Arrangement, the Member must either:
  - (i) sell the securities on behalf of the customer under the Arrangement,

- (ii) provide to the customer deliverable securities (so that the customer can tender securities to another Member) and a certificate stating that, to the best of the Member's knowledge, the customer held a stated number of shares as of the record date of the Arrangement, or
  - (iii) tender the securities to another Member who is willing to sell the securities under the Arrangement on behalf of the customer.
- (d) The Member appointed as manager of an Arrangement must maintain records of the transactions effected by Members under the Arrangement. Members must report these transactions to the manager on a weekly basis. The manager must remit the amount offered by the Issuer per odd lot account promptly after receiving each weekly report. The amount receivable by each Member is required to be used, in its entirety, to replace or reduce the normal brokerage commissions otherwise payable by odd lot holders.
- (e) The price received or to be paid for an odd lot must be the market price at which the trade is executed by the Member. If the securities of an odd lot holder are sold or purchased as part of more than one Board Lot and different prices are received or paid, the amount remitted to the customer, or paid by the customer, will be the average price and the confirmation must disclose that an average price has been used and must list the prices at which the trades were made.
- (f) The Member appointed as manager of an Arrangement will advise the Exchange and the Issuer concerning a reasonable fee payable per odd lot account.

#### **4. Rules Applicable to Arrangements Through the Issuer**

If odd lot holders will place orders through the Issuer or an agent designated by it (option (b) under item 1.2):

- (a) The Issuer or its agent must send orders received under the Arrangement to one or more Members for execution immediately after the orders are cleared for trading. Orders received and cleared for execution will be placed with the Member no later than 12:00 p.m., Vancouver time (1:00 p.m., Calgary time, 3:00 p.m., Toronto time) on the next business day for execution on the Exchange. Orders can be aggregated, but not netted, by the Issuer or its agent.
- (b) The Member will execute aggregated buy or sell orders as soon as possible, subject to its discretion to obtain the best available price for the customer and to avoid any undue impact on the market price.
- (c) The price received or to be paid for an odd lot must be the average price received on all orders placed with the Member for execution on a given day, regardless of when any of such orders are executed.

- (d) In addition to the information required by section 8, the disclosure document must state that the price received or to be paid for an odd lot will be the average price received on all orders placed with the Member for execution on a given day, regardless of when any orders are executed. The disclosure document must also contain an estimate of the time required for mailing and clearing an order, and state that the market price of the stock may change during that time.

## **5. Obligations to Odd Lot Holders**

- 5.1 A Member must obtain the best price available for its customer (the odd lot holder) in executing trades under an Arrangement. Notwithstanding any financial arrangement with the Issuer, a Member must satisfy its fiduciary duty to odd lot holders in accordance with Exchange Requirements. The Issuer must not, directly or indirectly, influence the time, price, amount or manner of sales or purchases of odd lots.
- 5.2 Subject to any agreement to the contrary, a Member can acquire or sell odd lots in principal transactions in accordance with Exchange Requirements. Members must not be a prominent influence in the market for the securities at a time when a principal transaction is proposed to be executed.

## **6. Shareholders Eligible to Participate**

- 6.1 Only persons who hold less than one Board Lot can participate in either type of Arrangement. Whether a person holds an odd lot is determined as of a record date established by the Issuer. The record date must be before the public announcement in accordance with section 8(2) to ensure that Board Lots will not be broken up in order to participate in the Arrangement.
- 6.2 An Arrangement must be made available to both registered holders of odd lots and beneficial owners of odd lots registered in nominee form. The Exchange may accept an Arrangement directed to the holders of a specified number of securities or less that does not include all odd lot holders if it is satisfied that holders of more than the specified number of securities are not disadvantaged by minimum commission rates.
- 6.3 Participants in security ownership plans established by an Issuer for its employees or participants in dividend reinvestment plans can be excluded from an Arrangement. Examples of security ownership plans are bonus, profit-sharing, pension, retirement, incentive, stock option or similar plans instituted for employees of the Issuer or its subsidiaries.

## **7. Duration of an Arrangement**

An Arrangement must remain open for at least thirty days after it is accepted by the Exchange, to ensure adequate dissemination of the information. An Arrangement can continue for three months and can be renewed on application to the Exchange.

## **8. Dissemination of Information**

### **8.1 Draft Documents**

At least one week before the proposed record date, the Issuer must file with the Exchange a copy of a draft news release announcing an Arrangement and a draft disclosure document which includes the information required under subsection (3) below. The news release must not be issued and the disclosure document must not be distributed to shareholders until the Exchange has accepted them.

### **8.2 News Release and Record Date**

The news release must be issued on the first business day after the record date. The record date must not occur until acceptance has been given by the Exchange.

### **8.3 Disclosure Document**

- (a) The Issuer must send a disclosure document to each shareholder of record that holds an odd lot. If a shareholder of record holds securities on behalf of other persons, the Issuer must provide, on request by the holder, a sufficient number of copies for each beneficial owner of an odd lot.
- (b) The original of the disclosure document must be signed by a duly authorized officer of the Issuer and filed with the Exchange. The disclosure document must include the following information:
  - (i) the name of the Issuer and the nature of the Arrangement being made available to odd lot holders;
  - (ii) a description of the class or classes of securities subject to the Arrangement and the holders eligible to participate;
  - (iii) confirmation that the Issuer will pay one or more Members a fee to sell or purchase odd lots, as the case may be, in the open market on behalf of odd lot holders, disclosure of the amount payable by the Issuer to Members per odd lot account and confirmation that for the purpose of the Arrangement, the odd lot holder is the customer of the Member agreeing to sell or purchase securities, as the case may be, under the Arrangement and that the Member must obtain the best available price for the odd lot holder;
  - (iv) if applicable, confirmation that the Member may purchase or sell odd lots under the Arrangement as principal in accordance with Exchange requirements;
  - (v) the duration of the Arrangement;
  - (vi) the purpose of the Arrangement;

- (vii) a description of the procedure to be followed by both registered odd lot holders and beneficial owners of odd lots held in nominee form to participate in the Arrangement;
- (viii) if applicable, the statement required under section 4(d) regarding the calculations of the price received or to be paid for an odd lot;
- (ix) the name, address and telephone number of the department or person at the Issuer or Member to contact for additional information; and
- (x) a recommendation that the odd lot holder contact his broker for advice before participating in the Arrangement.

#### **8.4 Renewal**

To renew an Arrangement, the Issuer must provide the Exchange with a statement of the number of securities previously sold or purchased, as the case may be, under the Arrangement. Upon acceptance by the Exchange, the Issuer must issue a news release announcing the renewal of the Arrangement.

### **9. Normal Course Issuer Bids**

- 9.1 The procedure described in this Policy is the only method that an Issuer can use to solicit odd lots for sale on the Exchange, or to offer to assist odd lot holders in acquiring additional securities on the Exchange to make up a Board Lot.
- 9.2 However, an Issuer can also purchase odd lots offered in the marketplace under a normal course issuer bid implemented and conducted in accordance with Policy 5.6 - Normal Course Issuer Bids. An Issuer can have a Normal Course Issuer Bid and either a Selling Arrangement, or a Purchase Arrangement, or both, in effect at the same time.

### **10. Powers of the Exchange**

The Exchange can, in its discretion and subject to any terms and conditions that it may impose:

- (a) exempt any Issuer from the requirements of this Policy if, in the Exchange's opinion, it would not be prejudicial to the public interest to do so; and
- (b) require further disclosure by, or impose further obligations on, an Issuer if, in the Exchange's opinion, it would be beneficial to the public interest.