BULLETIN TYPE: Notice to Issuers
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Re: Due Bills – Guidance in Respect of Dividends/Distributions and Other Material Corporate Events Involving Due Bill Trading

Background

Pursuant to an initiative of the Investment Industry Regulatory Organization of Canada's Financial Administrators Section, the Investment Industry Association of Canada (the "**IIAC**") and the Canadian Depository for Securities, the Canadian investment industry has adopted procedures allowing for the use of "due bill" trading in connection with material corporate actions such as stock dividends, special distributions, stock splits and spin-outs in Canada. These new procedures were adopted earlier this year with a view to improving the accuracy and timeliness of security valuation in an investor's brokerage account and harmonizing Canadian practices with U.S. practices.

As a result of this industry initiative, TSX Venture Exchange ("**TSXV**" or the "**Exchange**") has adopted procedures to allow for the use of due bill trading. The primary purpose of this Notice to Issuers is to provide guidance to Issuers and their advisors with respect to due bill trading, including guidance related to: (a) the purpose of due bills; (b) when due bill trading is required; (c) disclosure requirements an Issuer must comply with when due bill trading is required; and (d) considerations applicable to the issuance of new securities during the due bill trading period.

Additional background and explanatory information in respect of due bills is provided in the following IIAC publication available on the IIAC website:

- "Understanding Canada's Due Bill Initiative"

  http://www.iiac.ca/resources/4572/due%20bill%20initiative%20(en).pdf

What Are Due Bills And What Purpose Do They Serve?

Due bills represent an entitlement due to a shareholder.

Due bills notionally represent an entitlement that will be due to a shareholder from an Issuer in connection with the completion of a material corporate event such as a stock dividend, special distribution, stock split or spin-out. By way of example: (a) in the case of a special cash distribution by an Issuer, the due bills will notionally represent the cash distribution a shareholder is entitled to receive; (b) in the case of a stock split, the due bills will notionally represent the additional split securities a shareholder is entitled to receive; and (c) in the case of a spin-out (involving the Issuer spinning out certain assets into a new public company with shareholders of the Issuer to receive shares of the new company), the due bills will notionally represent the shares of the new company a shareholder is entitled to receive.

Due bills allow brokerage accounts to reflect full value of security until an entitlement is paid.

For trading purposes, due bills attach to the listed securities from and including the day that is two trading days prior to the record date of the corporate event up until the end of the payment date for the entitlement (i.e. the date on which the Issuer makes payment of the entitlement). This period is referred to as the "due bill trading period". During the due bill trading period, the seller of the listed securities (who is the prospective recipient of the entitlement) also sells and assigns the right to the entitlement to the purchaser of the listed securities. Such assignment is effected through the due bills attached to the listed securities. Therefore, purchasers of the listed securities during the due bill trading period pay full value for the securities (including the value of the entitlement represented by the due bill) to the seller of the securities. Correspondingly, the use of due bill trading allows the listed securities to carry the value of the entitlement until the entitlement has been paid given that the ex-distribution date (being the day on which the listed securities cease to have the due bills attached) does not occur until the first trading day after the payment date. As a result, the listed securities maintain their full value throughout the due bill trading period.

In comparison, if due bills are not used (i.e. as has historically been the practice in Canada), the ex-distribution date (being the day on which the listed securities cease trading with the applicable entitlement) is set as the date that is two trading days prior to the record date of the corporate event. Correspondingly, the listed securities only carry the value of the entitlement until the start of the ex-distribution date. As a result, between the ex-distribution date and the payment date for the entitlement (which may be a number of days or even weeks), the market value of the listed securities in an investor's brokerage account is undervalued. The use of due bill trading addresses this valuation concern.

When Will Due Bills Be Used?

Principal situations when due bills will be required.

The use of due bills will be determined by the Exchange, based on the following principal factors:

1. **Value of the Distribution Relative to the Value of the Listed Securities:** Generally, due bills will be used when the value of the distribution (i.e. the entitlement) is expected to be equal to or greater than 25% of the market value of the listed securities. However, it may be appropriate to use due bills at a lower threshold taking into account factors such as the trading price of the listed securities (relatively high trading price should factor positively in using due bills), trading volumes and any conditions attached to a distribution.

   NOTE: Form 3E – *Dividend/Distribution Declaration* will be amended to require an Issuer to notify the Exchange when the Issuer expects the value of the dividend/distribution to exceed 10% of the value of the listed securities such that the Exchange can consider the use of due bills. As applicable, following receipt of a Form 3E, the Exchange will discuss the use of due bill trading for such dividend/distribution with the Issuer and will advise if due bill trading is required in such circumstances.

2. **Inter-Listing on a U.S. Exchange:** If the listed securities are inter-listed on a stock exchange in the United States, the Exchange will implement due bill trading in alignment with the U.S. market. The objective is to reduce to the greatest extent possible instances where listed securities would trade at different prices in Canada and the United States due to differences in processing entitlement events.

NOTE (re: Spin-Out Transactions): If the Issuer is conducting a spin-out transaction that will involve a distribution to its shareholders, the Issuer should discuss with the Exchange at the outset applicable record date and ex-distribution date considerations and whether due bills will be required for the distribution.

Due bills will not be required in all circumstances.

As may be inferred from the above, the use of due bills will not be required by the Exchange in all circumstances. If the use of due bills is not required for a particular entitlement (whether a dividend, special distribution, etc.), the Exchange will employ the historic practice in Canada (i.e. the ex-distribution date will be set as the date that is two trading days prior to the record date of the corporate event).

Procedural Matters

The Issuer must provide the Exchange with not less than seven (7) trading days advance notice of the record date for the applicable corporate action. If the corporate action is a dividend or distribution, the advance notice must be made by way of a Form 3E – *Dividend/Distribution Declaration*. The Exchange will then advise the Issuer as to whether or not due bills trading will be required for the corporate action.

Required Press Release Disclosure

An Issuer's press release which provides notice of an entitlement where due bill trading will be used must disclose the following information:

(a) That the Exchange has determined to implement due bill trading in respect of the corporate event that gives rise to the entitlement.
(b) The applicable record date.
(c) The date due bill trading will commence (i.e. two trading days prior to the record date).
(d) The payment date of the distribution, or the estimate if the date is unknown.
(NOTE: The Issuer should confer with its transfer agent when determining the payment date.)
(e) The ex-distribution date (i.e. the trading day after the payment date).
(f) The due bill redemption date or the estimate if the date is unknown.
(NOTE: The Issuer should confer with its transfer agent when determining the due bill redemption date.)

These dates should be confirmed with the Exchange by pre-clearing the press release at least one business day prior to dissemination.

New Security Issuances

Issuers should refrain from issuing new listed securities of the class trading with due bills from the record date until the end of the due bill trading period. As any new security issued after a record date will not be eligible to receive the applicable entitlement, a due bill will not be attached to such securities. As a result, these newly issued securities will not be fungible with the listed securities.

If the new issuance of securities is unavoidable, listed issuers should take steps to ensure that holders of these new securities are aware that they are not fungible with the listed securities until after the due bill trading period has ended.

Corresponding Policy Amendments

Minor amendments to the Exchange's Corporate Finance Manual will be made in order to address due bill trading. These amendments will be formally implemented in the near future. The amendments are expected to include the following:

1. **Policy 1.1 – *Interpretation*:** A definition for "due bill" will be added to Policy 1.1.

2. **Policy 3.2 – *Filing Requirements and Continuous Disclosure*:** Part 10 of Policy 3.2 will be amended to reflect the possibility of due bill trading being required in respect of a dividend/distribution.

3. **Form 3E – *Dividend/Distribution Declaration*:** Form 3E will be amended as described above.

4. **Policy 5.8 – *Issuer Names, Issuer Name Changes, Share Consolidations and Splits*:** Part 8 of Policy 5.8 will be amended to reflect the possibility of due bill trading being required in respect of a stock split.

If you have any questions about this bulletin, please contact:

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