2017-0005

September 5, 2017

Due Bills
Part I
Subsections 429.1 and 435.2
Subsections 614(j) and 620(d)
Form 5

STAFF NOTICE TO APPLICANTS, LISTED ISSUERS, SECURITIES LAWYERS AND PARTICIPATING ORGANIZATIONS

*****This Staff Notice replaces TSX Staff Notice 2012-0001, which is repealed in its entirety.*****

Toronto Stock Exchange ("TSX") staff is providing guidance on amendments ("Amendments") to the TSX Company Manual (the "Manual") made today to enable TSX to implement the due bill process for its listed issuers, including: (i) when due bills will be used; (ii) issuer disclosure; and (iii) special measures to be adopted when there are new security issuances during due bill trading periods. The Amendments were made following the endorsement and approval by representatives of the Canadian securities industry of procedures allowing for the use of due bills for certain material corporate events. These new procedures are being introduced in Canada to help improve the accuracy and timeliness of the valuation and reporting of client's holdings and to reduce inconsistencies in pricing for securities that are listed both in Canada and the United States.

What is a Due Bill?

Due bills are entitlements which attach to listed securities undergoing certain material corporate events. For example, in the case of a stock split, due bills represent the entitlement to the additional split securities, or in the case of a special cash distribution, due bills represent the entitlement to the cash. For trading purposes, due bills attach to such securities between the opening of business on the first trading day prior to the record date and the payment date, allowing listed securities to carry the value of the entitlement until it has been paid. The ex-distribution date is deferred to the first trading day after the payment date. Purchasers of the securities during the due bill period therefore pay full value for the securities, including the value of the distribution represented by the due bill. The seller, who is the holder on the record date and the prospective recipient of the distribution, therefore sells the right to the distribution to the purchaser

When will Due Bills be used?

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

1. **If the listed securities are inter-listed in the United States,** TSX 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.

2. **Estimated value of the distribution, relative to the value of the listed securities.** Generally, due bills will be used when the value of the distribution 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.

Form 5 — *Dividend / Distribution Declaration* (Form 5) has been amended for a listed issuer to provide notice to TSX when a distribution is expected to exceed 10% of the value of the listed securities so that TSX can consider the use of due bills.

TSX will discuss the use of due bill trading for a distribution with listed issuers and will advise when due bill trading will be used.

Press Release Disclosure

Listed issuers are required to provide notice of a distribution to security holders and TSX simultaneously, at least five trading days prior to the record date for the distribution, in accordance with Section 434 of the Manual. The press release notice of a distribution where due bill trading will be used should disclose the following information:

1. TSX has determined to implement due bill trading for the distribution;
2. the record date of the distribution;
3. the due bill trading dates;
4. the payment date of the distribution, or the estimate if the date is unknown;
5. the ex-distribution date; and
6. the due bill redemption date, or the estimate if the date is unknown.

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

New Security Issuances

Listed 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 have an entitlement to the distribution, 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.

Please contact your Listed Issuer Services Manager if you have any questions.