

**RULE 29**  
**BUSINESS CONDUCT**

- 29.1. Repealed.
- 29.2. During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.
- 29.3. During such period of distribution to the public a Dealer Member shall make a bona fide offering of the total amount of such participation to public investors. The term "public investors" does not include any [officer](#) or employee of a bank, insurance company, trust company, [investment](#) fund, pension fund or similar institutional body or the immediate families of any such [officer](#) or employee of any such institution regularly engaged in the purchase or sale of securities for such institution, unless such sales are demonstratively for bona fide personal [investment](#) in accordance with the person's [normal investment practice](#). For the purposes of this Rule 29.3 the term "**normal investment practice**" shall mean the history of [investment](#) in an account with the Dealer Member and if such history discloses a practice of purchasing mainly "hot issues" such record would not constitute a "[normal investment practice](#)".
- 29.3A. A Dealer Member shall give priority to orders for the accounts of customers of the Dealer Member over all other orders for the same security at the same price. The phrase "orders for the accounts of customers of the Dealer Member" shall not include an order for an account in which the Dealer Member or an employee of the Dealer Member has an interest, direct or indirect, other than an interest in a commission charged.
- 29.4. The period of distribution to the public in respect of any securities shall continue until the Dealer Member shall have notified the applicable [securities commission](#) that it has ceased to engage in the distribution to the public of such securities.
- 29.5. Every director of a corporation any of whose securities are held by the public has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Except to the extent referred to in the third paragraph of this Rule 29.5, a director is not released from the necessity of keeping information of this character to himself or herself until there has been full public disclosure of such information, particularly when the information might affect the market price of the corporation's securities. Any director of such corporation who is also a [Director](#), [Executive](#) or employee of a Dealer Member should recognize that his or her first responsibility in this area is to the public corporation on whose board he or she serves and that he or she must, except to the extent referred to in the third paragraph of this Rule 29.5, meticulously avoid any disclosure of inside information to the Directors, Executives, employees, customers, or research or trading departments of the Dealer Member.

Where a representative of a Dealer Member is not a director of a corporation but is acting in an underwriting or advisory capacity to such corporation and is discussing confidential matters, his or her responsibilities regarding disclosure are the same as those that would apply if such representative were a director of such corporation.

With reference to the two preceding paragraphs of this Rule 29.5, a [Director](#) or a representative, as the case may be, of a Dealer Member may consult with other personnel of the Dealer Member if a matter requires such consultation but in this event adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the organization of the Dealer Member and the responsibilities of any such other personnel regarding

disclosure are the same as those that would apply if such personnel were directors of the relevant corporation.

29.6. No Dealer Member or any [Director](#), [Executive](#) or employee or shareholder of a Dealer Member shall give, offer or agree to give or offer, directly or indirectly, to any partner, director, [officer](#), employee, shareholder or agent of a customer, or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

29.7.

### **Definitions**

For the purposes of this Rule 29.7;

**“advertisement(s) or advertising”** shall include television or radio commercials or commentaries, newspaper and magazine advertisements or commentaries, and any published material including materials disseminated or made available electronically promoting the business of a Dealer Member.

**“sales literature”** shall include any written or electronic communication other than [advertisements](#) and [correspondence](#), distributed to or made generally available to a client or potential client which includes a recommendation with respect to a security or [trading strategy](#). Sales literature includes but is not limited to records, videotapes and similar material, market letters, research reports, circulars, promotional seminar text, telemarketing scripts and reprints or excerpts of any other sales literature or published material, but does not include preliminary prospectuses and prospectuses.

**“correspondence”** means any written or electronic business related communication prepared for delivery to a single current or prospective client, and not for dissemination to multiple clients or to the general public.

**“trading strategy”** means a broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.

29.7 (1) No Dealer Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any [advertisement](#), [sales literature](#) or [correspondence](#), and no registered or Approved Persons shall issue or send any [advertisement](#), [sales literature](#) or [correspondence](#) in connection with its or his or her business which:

- (a) contains any untrue statement or omission of a material fact or is otherwise false or misleading;
- (b) contains an unjustified promise of specific results;
- (c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;
- (d) contains any opinion or forecast of future events which is not clearly labeled as such;
- (e) fails to fairly present the potential risks to the client;
- (f) is detrimental to the interests of the public, the Corporation or its Dealer Members; or
- (g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.

29.7 (2) Each Dealer Member shall develop written policies and procedures that are appropriate for its size, structure, business and clients for the review and supervision of [advertisements](#), [sales literature](#) and

[correspondence](#) relating to its business. All such policies and procedures shall be approved by the Corporation.

29.7 (3) The policies and procedures referred to in subsection (2) may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material. However, the following types of [advertisements](#), [sales literature](#) or [correspondence](#) must be approved prior to publication or use by one or more Supervisors specifically designated to approve each specified type of material:

- (a) Research reports,
- (b) Market letters,
- (c) Telemarketing scripts,
- (d) Promotional seminar texts (not including educational seminar texts),
- (e) Original [advertisements](#)/original template [advertisements](#); and
- (f) Any material used to solicit clients that contain performance reports or summaries.

29.7 (4) Where such policies and procedures do not require the approval of [advertisements](#), [sales literature](#) or [correspondence](#) prior to being issued, the Dealer Member must include provisions for the education and training of registered and Approved Persons as to the Dealer Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7(5) Copies of all [advertisements](#), [sales literature](#) and [correspondence](#) and all records of supervision under the policies and procedures required by subsection (2) shall be retained so as to be readily available for inspection by the Corporation. All [advertisements](#), [sales literature](#) and related documents must be retained for a period of 2 years from the date of creation and all [correspondence](#) and related documents must be retained for a period of 5 years from the date of creation.

29.7A.

**(1) Ownership of Trade Name**

Subject to subsection (7) all business carried on by a Dealer Member or by any [person](#) on its behalf shall be in the name of the Dealer Member or a business or trade or style name owned by the Dealer Member, an [Approved Person](#) in respect of the Dealer Member or an [affiliated corporation](#) of either of them.

**(2) Approval of Trade Name**

No [Approved Person](#) shall conduct any business in accordance with subsection (1) in a business or trade or style name that is not owned by the Dealer Member or its [affiliated corporation](#) unless the Dealer Member has given its prior written consent.

**(3) Notification of Trade Name**

Prior to the use of any business or trade or style name other than the Dealer Member's legal name, the Dealer Member shall notify the Corporation.

**(4) Transfer of Trade Name**

Prior to the transfer of a business or trade or style name to another Dealer Member, the Dealer Member shall notify the Corporation.

**(5) Single Use of Trade Name**

Except where Dealer Members are related or affiliated, no Dealer Member or [Approved Person](#) shall use any business or trade or style name that is used by any other Dealer Member unless the relationship with such other Dealer Member is that of an introducing broker/carrying broker arrangement, pursuant to Rule 35.

**(6) Legal Name**

The Dealer Member's full legal name shall be included in all contracts, account statements and confirmations.

**(7) Trade Name of Approved Person to Accompany Legal Name**

A business or trade or style name used by an [Approved Person](#) may accompany, but not replace, the full legal name of the Dealer Member on materials that are used to communicate with the public. The Dealer Member's legal name must be at least equal in size to the business or trade or style name used by the [Approved Person](#).

For greater certainty, "materials" that are used to communicate with the public include, but are not limited to, the following:

- (a) Letterhead;
- (b) Business Cards;
- (c) Invoices;
- (d) Trade Confirmations;
- (e) Monthly Statements;
- (f) Websites;
- (g) Research Reports; and
- (h) Advertisements.

**(8) Misleading Trade Name**

No Dealer Member or [Approved Person](#) shall use any business or trade or style name that is deceptive, misleading or likely to deceive or mislead the public.

**(9) Prohibition on Use of Trade Name**

The Corporation may prohibit a Dealer Member or [Approved Person](#) from using any business or trade or style name in a manner that is contrary to the provisions of this Rule or is objectionable or contrary to the public interest.

29.8. No Dealer Member shall impose on any customer or deduct from the account of any customer any service fee or service charge relating to services provided by the Dealer Member for the administration of the customer's account unless written notice shall have been given to the customer on the opening of the account or not less than 60 days prior to the imposition or revision of the fee or charge. For the purposes of this Rule, service fees or charges shall not include interest charged by the Dealer Member in respect of the account and commissions charged for executing trades.

**29.9 Pre-trade disclosure of charges**

- (1) Before a Dealer Member accepts an instruction from a client to purchase or sell a security in an account other than a managed account, the Dealer Member must disclose to the client:

- (a) The charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure;
  - (b) In the case of a purchase to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply; and
  - (c) Whether the firm will receive trailing commissions in respect of the security.
- (2) Subsection 29.9(1) does not apply to a Dealer Member in respect of an instruction involving:
- (a) An Institutional Customer; or
  - (b) A client for whom the Dealer Member purchases or sells securities only as directed by a registered adviser acting for the client.

29.10. Repealed.

29.11. No Dealer Member shall pay or make any payment on account or in respect of any debt owing by such Dealer Member to any creditor of such Dealer Member contrary to the provisions of, or otherwise fail to comply with, any subordination or other agreement to which such Dealer Member and the Corporation are parties.

#### **29.12. Mutual Fund Sales Incentives**

- (a) No Dealer Member or related company in respect of a Dealer Member, or partner, Director, Officer, Registered Representative or Investment Representative or employee of such Dealer Member or related company, shall accept from any person, directly or indirectly, any non-cash sales incentive in connection with the sale or distribution of mutual fund products.
- (b) No Dealer Member or related company in respect of a Dealer Member shall pay to any partner, Director, Officer, Registered Representative, Investment Representative or employee of such Dealer Member or related company any non-cash sales incentive in connection with the sale or distribution of mutual fund products.
- (c) Nothing in this Rule shall prohibit a Dealer Member or related company in respect of a Dealer Member or any partner, Director, Officer, Registered Representative, Investment Representative or employee of such Dealer Member or related company from accepting or paying, as the case may be:
  - (i) Non-cash sales incentives earned or awarded for the internal incentive programme of such Dealer Member for which eligibility is determined with respect to all services and products offered by the Dealer Member;
  - (ii) Commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund securities;
  - (iii) Service fees or trailing commissions;
  - (iv) Marketing materials; or
  - (v) Reasonable business promotion activities that are undertaken in the normal course and take place in the locale where the recipient is employed or resides.
- (d) For the purposes of this Rule 29.12, the term "**non-cash sales incentive**" shall include, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash consideration.

### 29.13. Premarketing

- (a) In this Rule 29.13 the expression:

**"Bought Deal"** means a transaction pursuant to an agreement under which an underwriter, as principal, agrees to purchase securities from an issuer or selling security-holder with a view to a [distribution](#) of such securities pursuant to the POP System (as defined in National Policy Statement No. 47) or comparable system in any Canadian province and such agreement is entered into prior to or contemporaneously with the filing of the preliminary short form prospectus;

**"Commencement of Distribution"** means the time when a Dealer Member has had [distribution discussions](#) which are of sufficient specificity that it is reasonable to expect that the Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder;

**"Distribution"** means a potential offering of equity securities which may proceed as a [bought deal](#);

**"Distribution Discussions"** means discussions by a Dealer Member with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a [distribution](#);

**"Equity Security"** means any security of an issuer that carries a residual right to participate in earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets and includes a security convertible into an equity security. A security shall be deemed to be convertible into an equity security if the rights attaching to the security include the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer or any other security that itself includes the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer.

- (b) From the [commencement of distribution](#) until the earliest of

(i) The time at which the receipt for the preliminary prospectus in respect of the [distribution](#) is issued;

(ii) The time at which a press release that announces the entering into of an enforceable agreement in respect of the [distribution](#) is issued and filed in accordance with any blanket ruling or order, or notice made pursuant to an existing blanket ruling or order, of a securities regulatory authority of a province or territory of Canada and provided that all of the conditions set forth in such blanket ruling or order or such notice and its related blanket ruling or order are met; and

(iii) The time at which the Dealer Member determines not to pursue the [distribution](#)

no member shall have communications with a [person](#) or company wherever resident which are designed to have the effect of determining the interest of that [person](#) or company (or any [person](#) or company that it represents) in purchasing securities of the type that are the subject of [distribution discussions](#) if such communications are undertaken by any [Director](#), [Officer](#), employee or agent of the Dealer Member:

(A) Who participated in or had actual knowledge of the [distribution discussions](#), or

(B) Whose communications were directed, suggested or induced by a [person](#) who participated in or had actual knowledge of the [distribution discussions](#) or another [person](#) acting directly or indirectly at or upon the direction, suggestion or inducement of a [person](#) referred to in (B).

A press release is deemed to have been issued when it is disseminated in accordance with the policies of applicable stock exchanges or, in the case of unlisted securities, when it is released to Canada News-Wire or any other national news [distribution](#) service for [distribution](#) and is deemed to have been filed when delivered or sent by facsimile to the relevant securities regulatory authority of a province or territory of Canada.

- (c) No Dealer Member shall, in connection with a potential offering of equity securities, have communications of the nature described in Rule 29.13(b) even if such communications would otherwise be exempt from prospectus requirements of securities law, unless the Dealer Member and the issuer or selling security-holder can demonstrate a bona fide intention to distribute the securities pursuant to a prospectus exemption. The restrictions referred to in Rule 29.13(b) shall apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favour of a prospectus offering will be taken.
- (d) No Dealer Member shall engage in market making or other principal trading activities in securities that are the subject of [distribution discussions](#) if such activities are engaged in by a [person](#) referred to in Rule 29.13(b)(A) or at or upon the direction, suggestion or inducement of a person referred to in Rule 29.13(b)(A) or (B).
- (e) A Dealer Member involved in a [distribution](#) as an underwriter shall file a certificate with respect to compliance with this Rule 29.13 in respect of such [distribution](#) with the Corporation not later than three business days after the date the preliminary short form prospectus (or equivalent document) with respect to such [distribution](#) is filed with the principal jurisdiction (as defined in National Policy Statement No. 47). Such certificate shall be signed by the chief executive officer of the Dealer Member or the next most senior officer or by such other person as is fulfilling the duties of the chief executive officer in his or her absence and shall be in such form and contain such information as may from time to time be prescribed by the Corporation and approved by the Director of Corporate Finance of the Ontario Securities Commission or his or her equivalent of any member of the Canadian Securities Administrators who notifies the Corporation that approval of the form of such certificate is required.

## CERTIFICATE

To: Investment Industry Regulatory Organization of Canada ("Corporation")

I (**name**), in my capacity as (**title**) of (**dealer name**) hereby certify on behalf of (**dealer name**), that (i) policies and procedures are in place designed to ensure compliance with Rule 29.13, and (ii) to the best of my knowledge, information and belief, after making, or having caused to be made, enquiries that I believe to be appropriate, in connection with the distribution of securities of (**issuer name**), the preliminary prospectus (or an equivalent document) for which was dated (**date**), from the commencement of distribution there have not been any communications by (**dealer name**) undertaken by any Director, Officer, employee or agent of (**dealer name**) with any person or company wherever resident about the interest that such person or company or any person or company that it represented had in purchasing securities of the type that were the subject of distribution discussions which would contravene Rule 29.13.

The terms "commencement of distribution" and "distribution discussions" used in this certificate have the meanings given to those terms in Rule 29.13.

Dated at (city) this day of 20 .

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Signature

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Name

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Title

29.14.

(a) Definitions. For the purposes of these Rules 29.14 to 29.25, the term:

"**Applicable Securities Laws**" means:

- (i) Ontario Securities Commission Rule 61-501 relating to Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions; and
- (ii) section 190 of the *Business Corporations Act* (Ontario);

"**Corporation Standards**" means the disclosure standards specified in Rules 29.14 through 29.24;

"**Fairness Opinion**" means a report of a [Valuer](#) that contains the [Valuer](#)'s opinion as to the fairness, from a financial point of view, of a transaction;

"**Formal Valuation**" means a report of a [Valuer](#) that contains the [Valuer](#)'s opinion as to the value or range of values of the subject matter of the valuation;

"**Professional Opinion**" means a [Formal Valuation](#) or a [Fairness Opinion](#);

"**Subject Transaction**" means an insider bid, issuer bid, going private transaction or related party transaction as each such term is defined in [Applicable Securities Laws](#); and

"**Valuer**" means the [person](#) who provides a [Professional Opinion](#).

The terms "**disclosure document**", "**interested party**" and "**prior valuation**" as used in these Rules 29.14 to 29.25 have the same respective meanings as in [Applicable Securities Laws](#).

- (b) Repealed.
- (c) Repealed.
- (d) Repealed.
- (e) Repealed.
- (f) Repealed.
- (g) Repealed.
- (h) Repealed.
- (i) Repealed.

29.15 No Dealer Member shall prepare a [Professional Opinion](#) in connection with a [Subject Transaction](#) unless it complies with [Corporation Standards](#).

29.16 [Corporation Standards](#) apply only to Professional Opinions that are prepared either pursuant to a requirement of [Applicable Securities Laws](#) or for the express purpose of publication, in whole or in part (including summaries thereof), in a [disclosure document](#) to be filed with any Canadian securities regulatory authority or delivered to security holders in connection with their consideration of the [Subject Transaction](#). For greater certainty, [Corporation Standards](#) do not apply to Professional Opinions (i) rendered in connection with transactions other than the Subject Transactions, whether or not they are reproduced or summarized in a [disclosure document](#), or (ii) reproduced or summarized in a [disclosure document](#) in response to a legal or regulatory requirement for the disclosure of prior valuations in respect of an issuer.

- 29.17 The requirements relating to the preparation and disclosure of Professional Opinions prescribed herein shall not be a substitute for the professional judgment and responsibility of the [Valuer](#). Compliance with the [Corporation Standards](#), without the [Valuer](#) also exercising professional judgment and responsibility regarding disclosure in a [Professional Opinion](#), shall not be considered compliance with [Corporation Standards](#). Professional judgment and responsibility may, in appropriate cases, justify a departure from the strict application of the requirements under the [Corporation Standards](#).
- 29.18 Professional Opinions prepared in connection with the Subject Transactions shall contain disclosure sufficient to enable the directors and security holders of the particular issuer to understand the principal judgments and principal underlying reasoning of the [Valuer](#) in its [Professional Opinion](#) so as to form a reasoned view on the valuation conclusion or the opinion as to fairness expressed therein.
- 29.19 A [Valuer](#) shall consider the level of disclosure described in Rules 29.20 through 29.24 when considering the appropriate level of disclosure in a [Professional Opinion](#) concerning valuation methodologies or matters not specifically addressed in such [Rules](#) but that are important in reaching a valuation or fairness conclusion.
- 29.20 A [Professional Opinion](#) that is a [Formal Valuation](#) prepared by a Dealer Member shall disclose the following information:
1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in valuing other businesses in the same or similar industries as the business or issuer in question or similar transactions to the [Subject Transaction](#), the Dealer Member's understanding of the specific marketable securities involved in the [Subject Transaction](#) and the internal procedures followed by the Dealer Member to ensure the quality of the [Professional Opinion](#);
  2. The date the [Valuer](#) was first contacted in respect of the [Subject Transaction](#) and the date that the [Valuer](#) was retained;
  3. The financial terms of the Valuer's retainer;
  4. A description of any past, present or anticipated relationship between the [Valuer](#) and any [interested party](#) or the issuer which may be relevant to the Valuer's independence for purposes of the [Applicable Securities Laws](#);
  5. The subject matter of the [Formal Valuation](#);
  6. The effective date of the [Formal Valuation](#);
  7. A description of any specific adjustments that have been made in the Valuer's conclusions by reason of an event or occurrence after the effective date;
  8. The scope and purpose of the [Formal Valuation](#), including the following statement:  
"This [Formal Valuation](#) has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this valuation.";
  9. A description of the scope of the review conducted by the [Valuer](#), including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the [Valuer](#));

10. A description of any limitation on the scope of review and the implications of such limitation on the [Valuer's](#) conclusions;
  11. A description of the business, assets or securities being valued sufficient to allow the reader to understand the valuation rationale and approach and the various factors influencing value that were considered;
  12. Definitions of the terms of value used in the [Formal Valuation](#) (such as "fair market value", "market value" and "cash equivalent value");
  13. The valuation approach and methodologies considered, including the rationale for valuing the business as a going concern or on a liquidation basis and the reasons for selecting a particular valuation methodology and a summary of the key factors considered in selecting the valuation approach and methodologies considered;
  14. The key assumptions made by the [Valuer](#);
  15. Any distinctive material value that the [Valuer](#) has determined might accrue to an [interested party](#), whether this value is included in the value or range of values arrived at for the subject matter of the [Formal Valuation](#) and the reasons for its inclusion or exclusion;
  16. A discussion of any prior *bona fide* offers or prior valuations or other material expert reports considered by the [Valuer](#) pertaining to the subject matter of the transaction and, where the [Formal Valuation](#) differs materially from any such [prior valuation](#), an explanation of the material differences where reasonably practicable to do so based on the information contained in the [prior valuation](#) or, if it is not reasonably practicable to do so, the reasons why it is not reasonably practicable to do so; and
  17. The valuation conclusions reached and any qualifications or limitations to which such conclusions are subject.
- 29.21 A [Professional Opinion](#) that is a [Fairness Opinion](#) prepared by a Dealer Member shall disclose the following information:
1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in providing Fairness Opinions in connection with transactions similar to the [Subject Transaction](#), the Dealer Member's understanding of the specific marketable securities involved in the [Subject Transaction](#) and the internal procedures followed by the Dealer Member to ensure the quality of the [Professional Opinion](#);
  2. The date the Dealer Member was first contacted in respect of the [Subject Transaction](#) and the date that the firm was retained;
  3. The financial terms of the Dealer Member's retainer;
  4. A description of any past, present or anticipated relationship between the Dealer Member and any [interested party](#) which may be relevant to the Dealer Member's independence for purposes of providing the [Fairness Opinion](#);
  5. The scope and purpose of the [Fairness Opinion](#), including the following statement:  
"This [fairness opinion](#) has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this [fairness opinion](#).";
  6. The effective date of the [Fairness Opinion](#);

7. A description of the scope of the review conducted by the Dealer Member, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Dealer Member);
  8. A description of any limitation on the scope of review and the implications of such limitation on the Dealer Member's opinion or conclusion;
  9. A description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the [Fairness Opinion](#) and the approach and various factors influencing financial fairness that were considered;
  10. A description of the valuation or appraisal work performed or relied upon in support of the Dealer Member's opinion or conclusion;
  11. A discussion of any prior *bona fide* offer or [prior valuation](#) or other material expert report considered by the Dealer Member in coming to the opinion or conclusion contained in the [Fairness Opinion](#);
  12. The key assumptions made by the Dealer Member;
  13. The factors the Dealer Member considered important in performing its fairness analysis;
  14. The statement of opinion or conclusion as to the fairness, from a financial point of view, of the [Subject Transaction](#) and the supporting reasons; and
  15. Any qualifications or limitations to which the opinion or conclusion is subject.
- 29.22 If concern is expressed to a Dealer Member regarding the proposed disclosure in a [Professional Opinion](#) of competitively or commercially sensitive information regarding an [interested party](#) or issuer, the Dealer Member may seek a decision of the special committee of the issuer's independent directors (the "special committee") as to whether the perceived detriment to an [interested party](#), the issuer or its security holders of the disclosure of such information in the [Professional Opinion](#) outweighs the benefit of disclosure of such information to the readers of the [Professional Opinion](#). Compliance with any such decision of a special committee shall also constitute compliance with the [Corporation Standards](#) in respect of the matters that are the subject of the decision.
- 29.23 A [Professional Opinion](#) that is a [Formal Valuation](#) prepared by a Dealer Member in connection with a [Subject Transaction](#) shall disclose the following:
1. Annual Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a [disclosure document](#) published in connection with the transaction to which the [Professional Opinion](#) applies, the [Professional Opinion](#) shall disclose a summary of selected material financial information derived from the most recent year-end balance sheet and income statement and statement of changes in financial position for the most recently completed fiscal year as well as from the balance sheet, income statement and statement of changes in financial position for the immediately preceding fiscal year.
  2. Interim Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a [disclosure document](#) published in connection with the transaction to which the [Professional Opinion](#) applies, the [Professional Opinion](#) shall disclose a summary of selected material financial information derived from the most recent interim balance sheet (if any), income statement and statement of changes in financial position for the current fiscal year and the comparable statements for the same interim period of the immediately preceding fiscal year.

3. Discussion of Historical Financial Statements or Financial Position. The [Professional Opinion](#) shall include comment on material items or changes in the issuer's financial statements together with appropriate commentary on items which may have particular relevance to the [Professional Opinion](#). Examples of such items include unusual capital structures, unrecognized tax-loss carryforwards and redundant assets.
4. Future-Oriented Financial Information. To the extent that the [Valuer](#) has relied upon future-oriented financial information ("FOFI"), the [Valuer](#) shall disclose the FOFI, at least in summary form, unless otherwise determined by a decision of the special committee referred to in Rule 29.22. To the extent that the FOFI relied upon by the [Valuer](#) varies materially from the FOFI provided to the [Valuer](#) by the issuer or the [interested party](#), the [Valuer](#) shall disclose the nature and extent of such differences and the rationale of the [Valuer](#) supporting its judgments.
5. FOFI Assumptions. To the extent that FOFI is relied upon (whether or not the FOFI itself is disclosed), key financial assumptions (such as sales, growth rates, operating profit margins, major expense items, interest rates, tax rates, depreciation rates, etc.), together with a brief statement supporting the rationale for each specific assumption, shall also be disclosed, unless otherwise determined by a decision of the special committee referred to in Rule 29.22.
6. Economic Assumptions. Any key economic assumptions having a material impact on the [Professional Opinion](#) shall be disclosed, noting the authoritative source used by the [Valuer](#), including interest rates, exchange rates and general economic prospects in the relevant markets.
7. Valuation Approach, Methodologies and Analysis. The [Professional Opinion](#) shall set out the valuation approach and methodologies adopted by the [Valuer](#), together with the principal judgments made in selecting a particular approach or methodology, a comparison of valuation calculations and conclusions arrived at through the different methods considered and the relative importance of each methodology in arriving at the overall valuation conclusion. Depending upon the valuation techniques used by the [Valuer](#), the specific information referred to in items 8 through 12 below shall be disclosed.
8. Discounted Cash Flow Approach. The [Professional Opinion](#) shall include a discussion of all relevant qualitative and quantitative judgments used to calculate discount rates, multiples and capitalization rates. If the Capital Asset Pricing Model is used, disclosure shall include the basis for determining the discount rate including the risk-free rate, market risk premium, beta, tax rates and debt-to-equity capital structure assumed. The [Valuer](#) shall also disclose the basis for the determination of the terminal/residual value together with the underlying assumptions made. The source of the financial data which formed the basis of the discounted cash flow analysis, summary of major assumptions (if not already disclosed) and the details and sources of any economic statistics, commodity prices and market forecasts used in the valuation approach shall also be disclosed. In addition, a summary of the sensitivity variables considered and the general results of the application of such sensitivity analysis shall be disclosed along with an explanation of how such sensitivity analysis was used in the determination of the range of valuation estimates resulting from the discounted cash flow approach. Where the nature of the FOFI and the subject matter of the valuation make it reasonably practicable and meaningful to do so, selected quantitative sensitivity analyses performed by the [Valuer](#) shall be disclosed to illustrate the effects of variations in the key assumptions on the valuation results. In determining whether quantitative sensitivity analyses would be

meaningful to the reader of the [Professional Opinion](#), the [Valuer](#) shall consider whether such analyses adequately reflects the [Valuer's](#) judgment concerning the inter-relationship of the key underlying assumptions.

9. Asset Based Valuation Approach. The [Professional Opinion](#) shall separately disclose the values of each significant asset and liability including off-balance sheet items (unless otherwise determined by a decision of the special committee referred to in Rule 29.22). If a liquidation-based valuation approach has been utilized, the [Professional Opinion](#) shall set out the liquidation values for each significant asset and liability together with summary estimates for significant liquidation costs.
  10. Comparable Transaction Approach. The [Professional Opinion](#) shall disclose (preferably in tabular form) a list of relevant transactions involving businesses the [Valuer](#) considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the transaction, a brief descriptive note, and relevant multiples implicit in the transaction which may include earnings before interest and taxes ("EBIT"), earnings before interest, taxes depreciation and amortization ("EBITDA"), earnings, cash flow and book value multiples and take-over premium percentages. In the body of the [Professional Opinion](#) there shall be a discussion of such transactions together with an explanation as to how such transactions were used by the [Valuer](#) in arriving at a valuation conclusion with regard to the comparable transaction approach.
  11. Comparable Trading Approach. The [Professional Opinion](#) shall disclose (preferably in tabular form) a list of relevant publicly traded companies the [Valuer](#) considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the market data, the relevant fiscal periods for the comparable company, a brief descriptive note regarding the comparable company and relevant multiples implicit in the trading data which may include EBIT, EBITDA, earnings, cash flow and book value multiples. In the body of the [Professional Opinion](#) there shall be a discussion as to the comparability of such companies, together with an explanation as to how such data was used by the [Valuer](#) in arriving at a valuation conclusion with regard to the comparable trading approach.
  12. Valuation Conclusions. The [Valuer](#) shall develop a final valuation range by using a single valuation methodology or some combination of value conclusions determined under different methodologies/approaches. The [Professional Opinion](#) shall include a comparison of the valuation ranges developed under each methodology and a discussion of the reasoning in support of the Valuer's final conclusion.
- 29.24 A [Professional Opinion](#) that is a [Fairness Opinion](#) prepared by a Dealer Member in connection with a [Subject Transaction](#) shall include the following:
1. [Fairness Opinion](#) Valuation Analyses. While it is generally acknowledged that both the scope and the objectives of a [Fairness Opinion](#) differ from those of a [Formal Valuation](#) (whether or not the [Fairness Opinion](#) is delivered in a transaction where a [Formal Valuation](#) exemption is being relied upon), a [Fairness Opinion](#) shall include a general description of any valuation analysis performed by the opinion provider or specific disclosure of a valuation opinion of another [Valuer](#) which is being relied upon. However, the opinion provider is not required to reach or disclose specific conclusions as to a valuation range or ranges in a [Fairness Opinion](#).
  2. Fairness Conclusions. The specific reasons for the conclusion that the [Subject Transaction](#) is fair or not fair to security holders, from a financial point of view, shall be set out in the conclusion section of the [Professional Opinion](#). Support for each of these

specific reasons shall be contained in the body of the [Professional Opinion](#) in sufficient detail to allow the reader of the opinion to understand the principal judgments and principal underlying reasoning of the opinion provider in reaching its opinion as to the fairness of the transaction.

29.25 Repealed.

29.26

(1)

(a) Each Dealer Member, or partner, [Director](#), or [Officer](#) or [Approved Person](#) of a Dealer Member shall provide to each client a Leverage Risk Disclosure Statement:

- i) at the time a new account is opened,
- ii) when a recommendation is made to a client to purchase securities using, in whole or in part, borrowed money, or
- iii) when the Dealer Member, partner, [Director](#), [Officer](#) or [Approved Person](#) of the Dealer Member becomes aware of a client's intent to purchase securities using, in whole or in part, borrowed money.

(b) The Dealer Member or partner, [Director](#), [Officer](#) or [Approved Person](#) of the Dealer Member is not required to comply with subsection (a)(ii) or (iii) if within the preceding six month period a Leverage Risk Disclosure Statement has been provided to the client.

(c) The Leverage Risk Disclosure Statement shall be in substantially the following words:

Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

(2) Section 29.26(1) does not apply to the purchase of securities by a client on margin if the client's margin account is operated in accordance with the [Rules](#) of the Corporation.

29.27 Repealed.

## **29.28 Membership Disclosure Requirements in the Canadian Investor Protection Fund for Dealer Members**

A Dealer Member must disclose to its clients, in accordance with the CIPF Disclosure Policy, membership in the Canadian Investor Protection Fund and the coverage available for eligible accounts.

