

COROLLARY AMENDMENTS TO By-law NO. 2

MEMBERSHIP

2.1. The Executive Committee of the Board of Directors shall, in its discretion and pursuant to By-law 20, decide upon all applications for Membership but shall not consider or approve any application unless and until it has been considered or approved by the applicable District Council.

2.2. Any individual, firm or corporation shall be eligible to apply for Membership if:

- (a) In the case of an individual, the applicant is a resident of Canada; in the case of a firm, it is formed under the laws of one of the provinces or territories of Canada and, in the case of a corporation, it is incorporated under the laws of Canada or one of its provinces;
- (b) The applicant carries on, or proposes to carry on, business in Canada as a securities dealer to an extent acceptable to the applicable District Council and is registered or licensed in each jurisdiction in Canada where the nature of its business requires such registration or licensing, and is in compliance with such legislation and the requirements of any securities commission having jurisdiction over the applicant; and
- (c) The applicant and its directors, officers, partners, investors and employees, and its holding companies, affiliates and related companies (if any), would comply with the By-laws and Regulations and Rulings and Policies and Forms of the Association that would apply to them if the applicant were a Member.

2.3. For the purposes of this By-law, the business of an individual, firm or corporation having a head office or principal place of business outside of Canada but carrying on business at one or more branch offices in Canada or through a subsidiary in Canada means only the portion of the business relating to operations in Canada.

2.4. An application for Membership shall be in such form and executed in such manner as the Board of Directors may prescribe and shall contain or be accompanied by such information and material as the By-laws, the Board of Directors and the applicable District Council may require.

2.5. The application for Membership shall be signed by the applicant and by a proposer and seconder who are partners or directors of Members but not members of the Board of Directors. An application for Membership without a proposer and seconder can be considered by the District Council and approved by the Executive Committee of the Board of Directors but they can take into consideration the absence of a proposer and seconder in exercising their respective powers regarding the application.

2.6. An application for Membership shall be accompanied by a non-refundable deposit of \$10,000 on account of the Entrance Fee.

2.7. If a District Council or the Board of Directors is of the opinion that the nature of the applicant's business, its financial condition, the conduct of its business, the completeness of the application, the basis on which the application was made or any staff review in respect of the application in accordance with the By-laws of the Association has required, or can reasonably be expected to require, excessive attention, time and resources of the Association, such District Council or the Board of Directors may require the applicant to reimburse the Association for its costs and expenses which are reasonably attributable to such excessive attention, time and resources or provide an undertaking or security in respect of such reimbursement. If an applicant is to be required to make such reimbursement of costs and expenses, the Association shall provide to

the applicant a breakdown and explanation of such costs and expenses in sufficient detail to permit the applicant to understand the basis on which the costs and expenses are to be calculated.

2.8. An application for Membership with any accompanying material shall be submitted to the Secretary, who shall make a preliminary review of the same and either:

- (a) If such review discloses substantial compliance with the requirements of the By-laws and Regulations, transmit a copy to the Chair of the applicable District Council; or
- (b) If such review discloses any substantial non-compliance with the requirements of the By-laws and Regulations, notify the applicant as to the nature of such non-compliance and request that the application for Membership be amended in accordance with the notification of the Secretary and refiled or be withdrawn. If the applicant declines so to amend the application for Membership or to withdraw the same, the Secretary shall forward the same to the Chair of the applicable District Council together with any accompanying material and a copy of the notification to the applicant.

2.9. The Secretary shall notify all Members of the receipt of the application for Membership. Any Member may within fifteen days from the date of the mailing of such notification lodge with the Secretary, a written objection to the admission of the applicant. The objection shall be forwarded to the application District Council for consideration along with the Membership application.

2.10. The Secretary shall request the applicant to submit:

- (a) Financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the Association may require), prepared in accordance with Form 1 and audited by a panel auditor;
- (b) Interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under subparagraph (a) up to the most recent month prior to the date of the Membership application;
- (c) An additional report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records; and
- (d) Such additional financial information, if any, relating to the applicant as the Association may, in its discretion, request.

2.11 Notwithstanding the provisions of By-law 2.10(a), if an applicant qualifies for exemption from payment of the Entrance Fee pursuant to By-law 3, the applicable District Council may waive any of the conditions relating to an application for Membership that it considers appropriate in the circumstances of the particular case.

2.12 Notwithstanding the provisions of By-law 2.7, if an applicant for Membership is a related company of a Member which confirms its intention to continue its Membership in the Association, the Vice-President, Financial Compliance and the District Association Auditors may determine, in their discretion, what financial information is required.

2.13. Notwithstanding the provisions of clause (a) of By-law 2.7, if an applicant is an approved participant of the Bourse de Montréal Inc. such applicant may, in lieu of the financial statements referred to in said clause (a), submit to the Association its latest audited Form 1 together with

- (i) A copy of the last monthly financial report filed by such applicant with the Bourse de Montréal Inc.; and
- (ii) A “comfort” letter from the Bourse de Montréal Inc. relating to the applicant’s standing with the Bourse de Montréal Inc. in compliance, disciplinary and regulatory matters and in a form which is satisfactory to the Association. If such applicant wishes to transfer to the Association’s audit jurisdiction, the applicant shall submit to the Association audited financial statements as of a date not more than 90 days prior to the date of application for transfer.

2.14. The Membership approval process as set out in By-law 20 shall apply once:

- (a) the Secretary has notified Members pursuant to By-law 2.6 and the fifteen day period referred to therein has expired;
- (b) the applicable District Council receives the Membership application from the Secretary;
- (c) the applicable District Council receives the notification from the District Association Auditors pursuant to By-law 2. 8; and
- (d) a period of six months or such lesser period as the District Council may in any particular case determine has expired.

2.15. The Secretary shall compute the Annual Fee payable by the application pursuant to By-law 3.2 and provide such computation to the Board of Directors.

2.16. The applicant shall become a Member if and when:

- (a) The application has been approved by the Board of Directors;
- (b) the applicant has been duly licensed or registered to carry on business as a securities dealer under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business; and
- (c) the Entrance Fee and Annual Fee have been paid in full.

2.17. The Secretary shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Association.

2.18. The Secretary shall furnish to the securities commissions of all the provinces of Canada a list of Members and from time to time as changes occur in the Membership shall communicate such changes to such commissions.