Goodmans LLP Update

Corporate Securities Law

September 13, 2016

TSX Adopts DRIP Rules

The Toronto Stock Exchange (TSX) has adopted new rules regarding dividend/distribution reinvestment plans (DRIPs) which are effective for new DRIPs and DRIP amendments adopted on or after September 1, 2016. Existing DRIPs are not subject to the new rules until they are amended and require TSX approval.
The new rules also apply only to DRIPs that provide for the issuance of additional listed securities from treasury, and do not apply to DRIPs that provide for payment of dividends or distributions solely with securities purchased on the secondary market.

DRIPs have been widely adopted by dividend-paying TSX-listed issuers. They allow issuers to preserve cash resources, while offering an issuer's existing security holders a convenient and efficient means to reinvest (or receive) cash dividends or distributions in additional securities, often at a discount to the prevailing market price and without incurring typical brokerage commissions. Some DRIPs also provide security holders the option to purchase additional securities in excess of the dividend or distribution.

Before these rules were adopted, the TSX did not have specific rules relating to DRIPs, and instead considered the approval of securities issued under DRIPs in the same manner it considered general issuances of securities. The proposed DRIP rules are intended to set out a transparent set of standards and practices applicable to DRIPs to expedite the process of adopting DRIPs. The new rules generally codify the TSX's historical practices relating to DRIPs and substantially implement the proposals initially published by the TSX on April 28, 2016 and described in our April 29, 2016 Update *TSX Proposes DRIP Rules and Allows Four-Letter Stock Symbols*. Highlights of the new rules include the following:

- TSX approval will be required for all DRIPs and DRIP amendments.
- The price at which securities can be issued under a DRIP must not be lower than the market price, less a 5% discount. Market price for these purposes may be based on the volume-weighted average trading prices of the listed security for a period of between five and 20 trading days preceding the relevant date.
- All security holders resident in Canada must be eligible to participate in the DRIP.
- Issuers must list a sufficient number of securities to cover issuances under the DRIP, such number of securities being either (a) a sufficient number of securities to cover issuances for a two-year period, provided such number of securities does not exceed 10% of the listed issuer's securities that are issued and outstanding, on a non-diluted basis, at the time approval of the DRIP is sought, or (b) a fixed number of securities equal to 5% of the listed issuer's securities that are issued and outstanding, on a non-diluted basis, at the time approval of the DRIP is sought. However, these limitations are not intended to restrict the number of listed securities that may be issued under the DRIP, and further applications to list additional securities under the DRIP are permitted.
- Securities distributed under a DRIP may be of a different class than the securities in respect of which the dividend or distribution is paid. However, if non-listed securities are eligible to participate in the DRIP, the TSX's private placement rules will generally apply unless the unlisted securities are economically equivalent to the listed securities (e.g., exchangeable securities).
- Issuers wishing to suspend, terminate, resume or reinstate a DRIP must notify the TSX and advise their security holders by way of a news release.

Please contact any member of our Corporate Securities Group to discuss the new DRIP rules or the potential adoption or amendment of a DRIP.