

## A.S.C. POLICY 7.1

### CONFLICTS OF INTEREST

(Incorporating Amendments up to January 14, 2004)

#### 1. DEFINITIONS

In this Policy

- 1.1 "registrant" means a registrant under the Securities Act of Alberta (the "Act") but does not include, other than in items 11.1, 11.2, 11.3, and 11.8, the registrant's director, officer, partner, salesman or other employee who is himself by reason of his association or employment with the registrant, registered or required to be registered under the Act.
- 1.2 "related issuer" means, in respect of a person or company:
  - 1.2.1 any other person or company that exercises influence over the person or company;
  - 1.2.2 any other person or company over which influence is exercised by the person or company;
  - 1.2.3 any person or company that exercises influence over the other person or company referred to in Items 1.2.1 or 1.2.2; or
  - 1.2.4 any person or company over which the other person or company referred to in items 1.2.1 or 1.2.2 exercises influence.
- 1.3 "security" includes, in respect of an issuer:
  - 1.3.1 a put, call, option or other right or obligation to purchase or sell securities of the issuer; and
  - 1.3.2 a security of any other issuer of which all or substantially all of the assets are securities of the issuer.
- 1.4 "statement of related issuers" means a statement of related issuers prepared under item 5.
- 1.5 For the purposes of this Policy, an issuer is not a related issuer of a registrant by reason only of the fact that the registrant, while acting as an underwriter, owns securities of the issuer
  - 1.5.1 in the course of a distribution of those securities, and
  - 1.5.2 in the ordinary course of business of the registrant.

- 1.6 For the purposes of this Policy, a person or company, whether
  - 1.6.1 alone or in combination with one or more other persons or companies, or
  - 1.6.2 through the direct or indirect beneficial ownership of voting securities, is deemed to exercise influence over another person or company if
  - 1.6.3 that influencing person or company exercises directly or indirectly a controlling influence over
    - 1.6.3.1 the management and policies of
      - 1.6.3.1.1 that other person, other than an individual, or
      - 1.6.3.1.2 that other company,
  - or
  - 1.6.3.2 where that other person is an individual, the activities of that individual,
  - or
  - 1.6.4 that influencing person or company holds at least 20% of any class or series of voting securities of
    - 1.6.4.1 that other person, other than an individual, or
    - 1.6.4.2 that other company,

except where there is evidence showing that the holding of those securities does not affect materially the control of that other person or company.

## 2. FAIR DEALING

- 2.1 Every registrant shall deal fairly, honestly and in good faith with its customers and clients.
- 2.2 Every officer, partner, salesman and registered director of a registrant shall deal fairly, honestly and in good faith with the customers and clients of the registrant.

## 3. APPLICATION

- 3.1 This Policy does not apply
  - 3.1.1 other than item 2, to any trading, purchasing of or advising with respect to securities referred to in section 66 of the Act, or

3.1.2 other than items 2 and 11, to a dealer in respect of the distribution of mutual funds.

#### 4. EXEMPTION

4.1 The Commission Board may exempt a registrant from the requirements of any provision of this Policy if the Commission Board is satisfied that to do so would not be prejudicial to the public interest.

#### 5. STATEMENT OF RELATED ISSUERS

5.1 Every registrant shall prepare and file with the Agency a statement of related issuers that contains at least the following:

5.1.1 a current list of the related issuers of the registrant where the related issuers

5.1.1.1 are reporting issuers, or

5.1.1.2 have distributed securities outside of Alberta under circumstances that, if those securities had been distributed in Alberta, the related issuers would have been reporting issuers,

5.1.2 a concise statement of the relationship that exists between

5.1.2.1 the registrant and each of the related issuers referred to in Item 5.1.1

5.1.3 the following note that is

5.1.3.1 located in a conspicuous place in the statement of related issuers, and

5.1.3.2 in bold face type that is not less legible than that used in the body of the statement of related issuers:

**This firm has a relationship with the persons or companies listed in this statement. This firm or its directors, officers, partners, salesmen or other employees may from time to time recommend that you trade in, or provide to you advice about, a security issued by those listed persons or companies. If you wish further information concerning the relationship between this firm and those listed persons or companies please contact us.**

5.2 A registrant shall provide to each of its customers and clients a copy of the registrant's statement of related issuers by

- 5.2.1 June 30, 1989, or
- 5.2.2 at the time that the customer or client becomes a customer or client of the registrant, whichever is the later.
- 5.3 Where there is a significant change in the information required to be contained in the registrant's statement of related issuers, the registrant shall
  - 5.3.1 promptly prepare and file with the Agency a revised version of or an amendment to the registrant's statement of related issuers, and
  - 5.3.2 provide a copy of the revised version of or the amendment to the statement of related issuers
    - 5.3.2.1 in the case of its current customer or client, to the customer or client within 45 days of it being filed under item 5.3.1,
    - 5.3.2.2 in the case where the registrant acts for the first time as an adviser to the customer or client, to that customer or client at the time of giving that advice and thereafter in accordance with item 5.3.2.1,
    - 5.3.2.3 in the case where the registrant makes its first trade with or on behalf of a customer or client, to that customer or client at the time of making that trade and thereafter in accordance with item 5.3.2.1.
- 5.4 Notwithstanding Item 5.1 where a registrant does not engage in activities as an adviser, dealer or underwriter with respect to securities of the registrant or any related issuer of the registrant, the registrant is not required to prepare and file a statement of related issuers if the registrant files
  - 5.4.1 a statement stating that it does not engage in activities as an adviser, dealer or underwriter in respect of those securities, and
  - 5.4.2 an undertaking that it will not engage in activities as an adviser, dealer or underwriter in respect of those securities until it complies with the requirements of items 5.1 and 5.2.

## 6. LIMITATIONS ON UNDERWRITING

**Part 6 is repealed and replaced by National Instrument 33-105 *Underwriting Conflicts* effective January 3, 2002.**

## 7. LIMITATIONS ON TRADING

- 7.1 No registrant, who is acting as principal or agent, shall

- 7.1.1 trade in securities of the registrant or of any related issuer of the registrant with or on behalf of any customer of the registrant, or
- 7.1.2 purchase securities of the registrant or of any related issuer of the registrant from or on behalf of any customer of the registrant.
- 7.2 Item 7.1 does not apply if,
  - 7.2.1 before
    - 7.2.1.1 entering into a contract for the sale or purchase of securities, and
    - 7.2.1.2 accepting payment or receiving any security or other consideration under or in anticipation of the contract referred to in Item 7.2.1.1, the registrant provides to the customer a concise statement, either orally or in writing, setting out the relationship between the registrant and the issuer of the securities, or
  - 7.2.2 the customer is
    - 7.2.2.1 a broker, investment dealer or securities dealer that is trading or purchasing as principal,
    - 7.2.2.2 a related issuer of the registrant that is trading or purchasing as principal, or
    - 7.2.2.3 a portfolio manager that is trading or purchasing in respect of discretionary account.

## **8. CONFIRMATION AND REPORTING OF TRADES**

- 8.1 The written confirmation required to be sent under section 68(1) of the Act by a registrant in connection with a sale or a purchase of securities shall, in the case of a sale or a purchase of securities of the registrant or a related issuer of the registrant, state that the securities are securities of the registrant or a related issuer of the registrant, as the case may be.
- 8.2 Other than the written confirmation referred to in item 8.1, if a registrant sends or delivers to a customer or client
  - 8.2.1 any report of any trades in securities that the registrant has made with or on behalf of the customer or client, or
  - 8.2.2 any report of any trades made by or at the direction of a registrant acting as a portfolio manager, the report shall, in respect of trades in securities of the registrant or a related issuer of the registrant, state that the securities are securities of the registrant or a related issuer of the registrant, as the case may be.

## 9. LIMITATIONS ON ADVISING

- 9.1 No registrant shall act as an adviser in respect of securities of the registrant or of a related issuer of the registrant unless
- 9.1.1 in the case of a registrant who is acting otherwise than as a portfolio manager, the registrant before advising the client provides to the client a concise statement, either orally or in writing, setting out the relationship between the registrant and the issuer of the securities,
  - 9.1.2 in the case of a registrant who is acting as a portfolio manager,
    - 9.1.2.1 the registrant before acquiring discretionary authority in respect of the securities obtains from the client the client's informed written consent authorizing the portfolio manager to exercise that discretionary authority, and
    - 9.1.2.2 the registrant ensures that the client is provided with the registrant's latest statement of related issuers and any current revisions or amendments to that statement, if 12 months have expired from the day that the client, was provided with,
      - 9.1.2.2.1 under item 5.2, the registrant's statement of related issuers, or
      - 9.1.2.2.2 under item 5.3, a revised version of or an amendment to the registrant's statement of related issuers;
- or
- 9.1.3 the client is
    - 9.1.3.1 a broker, investment dealer or securities dealer, or
    - 9.1.3.2 a related issuer of the registrant.
- 9.2 For the purposes of item 9.1.2, consent is only informed if the portfolio manager believes and has reasonable grounds for believing that the client
- 9.2.1 understands the nature of the authority that the client is empowering the portfolio manager to exercise, and
  - 9.2.2 is aware that the portfolio manager may be trading on the client's behalf in securities issued by a related issuer of the portfolio manager.

## 10. LIMITATIONS ON RECOMMENDATIONS

10.1 A registrant shall not

10.1.1 directly recommend in any circular, pamphlet or other publication or other medium of communication that the securities of the registrant or of a related issuer of the registrant be purchased, sold or held unless the recommendation is contained in a circular, pamphlet or other publication that

10.1.1.1 is published, issued or sent by the registrant,

10.1.1.2 is the type of publication that is distributed with reasonable regularity in the ordinary course of the registrant's business,

10.1.1.3 includes

10.1.1.3.1 in a conspicuous position in the publication, and

10.1.1.3.2 in a type not less legible than that used in the body of the publication,

a full and complete statement of the relationship between the registrant and the issuer of the securities, and

10.1.1.4 does not give materially greater space or prominence to the information set forth in respect of the issuer of the securities than to the information set forth in respect of any other person or company described in the publication,

or

10.1.2 publish, issue or send any advertisement, notice or other similar publication in respect of securities of the registrant or of a related issuer of the registrant unless the publication contains a statement

10.1.2.1 that

10.1.2.1.1 sets forth the identity of the related issuer issuing the securities, and

10.1.2.1.2 states that the related issuer is a related issuer of the registrant,

and

10.1.2.2 that

10.1.2.2.1 is located in a conspicuous position in the publication, and

10.1.2.2.2 is in bold face 12-point type or a larger type,

as is necessary to ensure the statement's prominence in the publication.

10.2 Where a registrant, pursuant to item 10.1.1, makes a recommendation respecting securities in a circular, pamphlet or other publication or other medium of communication, the registrant shall in the next two subsequent issues of its circular, pamphlet, publication or communication disclose

10.2.1 any purchases or sales of the recommended security that are made by the registrant since the time that the registrant issued its immediately preceding circular, pamphlet, publication or communication, and

10.2.2 the total number of the recommended securities presently held by the registrant.

## 11. LIMITATIONS ON NETWORKING

**Repealed**

as amended January 14, 2004

## 12. MISCELLANEOUS

12.1 Each registrant shall file those reports and other documents as the Chief of Securities Administration may from time to time require with respect to the registrant's activities concerning its securities and the securities of any related issuer of the registrant..

Form 12 of the Regulation shall contain the following additional disclosure:

1. Item 5 is amended

1.1 by adding the following after subsection (2):

(3) Where the issuer is a related issuer of the underwriter, or where the issuer has any material indebtedness to the underwriter or any related issuer of the underwriter,

(a) give a summary of the nature of the relationship between the issuer, the underwriter, and any related issuer of the underwriter,

(b) state,



- (i) the extent, if any, to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, or
- (ii) that the proceeds of the issue will not be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, if such is the case,

and

- (c) make a cross-reference to the information in the prospectus that is required under Item 29A.

1.2 in the Instructions

1.2.1 by adding the following after section 4:

5. See also Item 29A.

2. The following is added after Item 29:

ITEM 29A - Relationship Between Issuer and Underwriter:

- (1) Where the issuer is a related issuer of the underwriter, or has any material indebtedness to the underwriter or any related issuer of the underwriter, describe in the prospectus the following:
  - (a) the nature of the existing relationship between the issuer, the underwriter, and any related issuer of the underwriter,
  - (b) the involvement of the underwriter and of any related issuer of the underwriter in
    - (i) the decision to distribute the securities being offered, and
    - (ii) the determination of the terms of the distribution,
  - (c) the effect of the issue on the underwriter and each related issuer of the underwriter.
- (2) State
  - (a) in bold face type on the first page of the prospectus the fact that a relationship exists between the issuer, the underwriter, and a related issuer of the underwriter, and
  - (b) the appropriate cross-reference to the section in the prospectus that describes the relevant facts.

**INSTRUCTIONS:**

1. "Related issuer" is defined in section 1.2 of this Policy.
2. In describing the existing relationship between the issuer, the underwriter, and any related issuer of the underwriter, where the issuer is a related issuer of the underwriter, describe the basis on which the issuer is a related issuer of the underwriter and include the following:
  - (a) the names of each relevant related issuer of the underwriter;
  - (b) the nature of the relationship,
  - (c) the effect of the issuer of the securities on the parties to the relationship.
3. In describing the involvement of the underwriter and any related issuer of the underwriter in
  - (a) the decision to distribute the securities being offered, and
  - (b) the determination of the terms of the distribution, describe whether the issuer was required, suggested or consented to by any related issuer of the underwriter and, if so, on what basis.
4. In describing the effect of the issue on the underwriter and each related issuer of the underwriter state
  - (a) the extent, if any, to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter,
  - (b) if the issuer has any material indebtedness to the underwriter or any related issuer of the underwriter,
    - (i) whether any of the indebtedness will be repaid from the proceeds of the issue, and
    - (ii) if proceeds are to be paid in respect of the indebtedness, the amount of the repayment.
5. State any other material facts with respect to the relationship between the issuer, the underwriter, and any related issuer of the underwriter that are not otherwise set out in this document.

ITEM 29B - Underwriter as Issuer

- (1) Where a non-reporting issuer
  - (a) is issuing voting securities or participating securities, and

- (b) is a registered dealer or an issuer of which at least 50% of its assets are securities of a registered dealer and the dealer is underwriting 25% or more of the issue,
  - (i) state that fact in bold face on the first page of the prospectus,
  - (ii) include in the prospectus at least one summary of at least one independent valuation of the issuer,
  - (iii) give in the prospectus a reasonable time and place at which the valuation, or, if there is more than one valuation, the valuations, may be inspected during the distribution of the securities.

**INSTRUCTIONS:**

- (1) "Participating Security" means, in respect of a dealer, a security, including a debt security, of the dealer that
  - (i) entitles the holder to a dividend or other distribution of assets, otherwise than by way of return of capital, at a rate that is not fixed either in an amount or by a formula,
  - (ii) entitles the holder to a dividend or other distribution of assets, otherwise than by way of a return of capital,
    - (A) at a rate that is fixed by reference to a dividend, or
    - (B) by means of a distribution of assets in respect of a security referred to in subclause (i),

or

  - (iii) entitles the holder to
    - (A) a dividend or other distribution of assets, otherwise than by way of a return of capital, or
    - (B) payment of interest, at a rate calculated by reference to the earnings, income or profits of the dealer, whether calculated on a before-tax or after-tax basis.
- (2) "Valuation" means valuation as defined in section 170 of the Securities Regulation.

Form 13 of the Regulation shall contain the following additional disclosure:

1. Item 5 is amended
  - 1.1 by adding the following after subsection (2):
    - (3) Where the issuer is a related issuer of an underwriter, or where the issuer has any material indebtedness to the underwriter or any related issuer of the underwriter,
      - (a) give a summary of the nature of the relationship between the issuer, the underwriter and any related issuer of the underwriter,
      - (b) state,
        - (i) the extent, if any, to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, or
        - (ii) that the proceeds of the issue will not be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, if such is the case.
    - and
    - (c) make a cross-reference to the information required in Item 32A.
  - 1.2 In the Instructions
    - 1.2.1 by adding the following after Section 4:
      5. See also Item 32A
2. The following is added after Item 32:

ITEM 32A - Relationship Between Issuer and Underwriter:

  - (1) Where the issuer is a related issuer of the underwriter, or has any material indebtedness to the underwriter or any related issuer of the underwriter, describe in the prospectus the following:
    - (a) the nature of the existing relationship between the issuer, the underwriter, and any related issuer of the underwriter,
    - (b) the involvement of the underwriter and of any related issuer of the underwriter in

- (i) the decision to distribute the securities being offered, and
  - (ii) the determination of the terms of the distribution,
- (c) the effect of the issue on the underwriter and each related issuer of the underwriter.

(2) State

- (a) in bold face type on the first page of the prospectus the fact that a relationship exists between the issuer, the underwriter, and a related issuer of the underwriter, and
- (b) the appropriate cross-reference to the section in the prospectus that describes the relevant facts.

**INSTRUCTIONS:**

1. "Related issuer" is defined in section 1.2 of this Policy
2. In describing the existing relationship between the issuer, the underwriter, and any related issuer of the underwriter, where the issuer is a related issuer of the underwriter, describe the basis on which the issuer is a related issuer of the underwriter and include the following:
  - (a) the name of each relevant related issuer of the underwriter,
  - (b) the nature of the relationship,
  - (c) the effect of the issue of the securities on the parties to the relationship.
3. In describing the involvement of the underwriter and any related issuer of the underwriter in
  - (a) the decision to distribute the securities being offered, and
  - (b) the determination of the terms of the distribution, describe whether the issue was required, suggested or consented to by any related issuer of the underwriter and, if so, on what basis.
4. In describing the effect of the issue on the underwriter and each related issuer of the underwriter state
  - (a) the extent, if any, to which the proceeds of the issue will be applied,

- (b) if the issuer has any material indebtedness to the underwriter or any directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, and related issuer of the underwriter,
  - (i) whether any of the indebtedness will be repaid from the proceeds of the issue, and
  - (ii) if proceeds are to be paid in respect of the indebtedness, the amount of the repayment.

5. State any other material facts with respect to the relationship between the issuer, the underwriter and any related issuer of the underwriter that are not otherwise set out in this document.

ITEM 32B - Underwriter as Issuer

- (1) Where a non-reporting issuer
  - (a) is issuing voting securities or participating securities, and
  - (b) is a registered dealer or an issuer of which at least 50% of its assets are securities of a registered dealer and the dealer is underwriting 25% or more of the issue,
    - (i) state that fact in bold face on the first page of the prospectus,
    - (ii) include in the prospectus at least one summary of at least one independent valuation of the issuer,
    - (iii) give in the prospectus a reasonable time and place at which the valuation, or, if there is more than one valuation, the valuations, may be inspected during the distribution of the securities.

**INSTRUCTIONS:**

- (1) "Participating Security" means, in respect of a dealer, a security, including a debt security, of the dealer that
  - (i) entitles the holder to a dividend or other distribution of assets, otherwise than by way of a return of capital, at a rate that is not fixed either in an amount or by a formula,
  - (ii) entitles the holder to a dividend or other distribution of assets, otherwise than by way of a return of capital,
    - (A) at a rate that is fixed by reference to a dividend, or

- (B) by means of a distribution of assets in respect of a security referred to in subclause (i),

or

- (iii) entitles the holder to

- (A) a dividend or other distribution of assets, otherwise than by way of a return of capital, or

- (B) payment of interest, at a rate calculated by reference to the earnings, income or profits of the dealer, whether calculated on a before-tax or after-tax basis.

- (2) "Valuation" means valuation as defined in section 170 of the Securities Regulation.

Form 14 of the Regulation shall contain the following additional disclosure:

- 1. Item 5 is amended

- 1.1 by adding the following after subsection (2):

- (3) Where the issuer is a related issuer of an underwriter, or where the issuer has any material indebtedness to the underwriter or any related issuer of the underwriter,

- (a) give a summary of the nature of the relationship between the issuer, the underwriter and any related issuer of the underwriter.

- (b) state,

- (i) the extent, if any, to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, or

- (ii) that the proceeds of the issue will not be, applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, if such is the case.

and

- (c) make a cross-reference to the information required in Item 29A.

- 1.2 In the Instructions

- 1.2.1 by adding the following after Section 4:

5. See also Item 29A

2. The following is added after Item 29

**ITEM 29A - Relationship Between Issuer and Underwriter**

- (1) Where the issuer is a related issuer of the underwriter, or has any material indebtedness to the underwriter or any related issuer of the underwriter, describe in the prospectus the following:
  - (a) the nature of the existing relationship between the issuer, the underwriter, and any related issuer of the underwriter,
  - (b) the involvement of the underwriter and of any related issuer of the underwriter in,
    - (i) the decision to distribute the securities being offered, and
    - (ii) the determination of the terms of the distribution,
  - (c) the effect of the issue on the underwriter and each related issuer of the underwriter.
- (2) State
  - (a) in bold face type on the first page of the prospectus the fact that relationship exists between the issuer, the underwriter, and a related issuer of the underwriter, and
  - (b) the appropriate cross-reference to the section in the prospectus that describes the relevant facts.

**INSTRUCTIONS:**

1. "Related issuer" is defined in section 1.2 of this Policy.
2. In describing the existing relationship between the issuer, the underwriter, a any related issuer of the underwriter, where the issuer is a related issuer of file underwriter, describe the basis on which the issuer is a related issuer of the underwriter and include the following:
  - (a) the name of each relevant related issuer of the underwriter,
  - (b) the nature of the relationship,
  - (c) the effect of the issue of the securities on the parties to the relationship.



3. In describing the involvement of the underwriter and any related issuer of the underwriter in
  - (a) the decision to distribute the securities being offered, and
  - (b) the determination of the terms of the distribution, describe whether the issue was required, suggested or consented to by any related issuer of the underwriter and, if so, on what basis.
  
4. In describing the effect of the issue on the underwriter and each related issuer of the underwriter state
  - (a) the extent, if any, to which the proceeds of the issue will be applied, directly or indirectly, for the benefit of the underwriter or any related issuer of the underwriter, and
  - (b) if the issuer has any material indebtedness to the underwriter or any related issuer of the underwriter,
    - (i) whether any of the indebtedness will be repaid from the proceeds of the issue, and
    - (ii) if proceeds are to be paid in respect of the indebtedness, the amount of the repayment.
  
5. State any other material facts with respect to the relationship between the issuer, the underwriter, and any related issuer of the underwriter that are not otherwise set out in this document.

ITEM 29B - Underwriter as Issuer

- (1) Where a non-reporting issuer
  - (a) is issuing voting securities or participating securities, and
  - (b) is a registered dealer or an issuer of which at least 50% of its assets are securities of a registered dealer and the dealer is underwriting 25% or more of the issue,
    - (i) state that fact in bold face on the first page of the prospectus,
    - (ii) include in the prospectus at least one summary of at least one independent valuation of the issuer,
    - (iii) give in the prospectus a reasonable time and place at which the valuation, or, if there is more than one valuation, the valuations, may be inspected during the distribution of the securities.

**INSTRUCTIONS:**

- (1) "Participating Security" means, in respect of a dealer, a security, including a debt security, of the dealer that
- (i) entitles the holder to a dividend or other distribution of assets, otherwise than by way of a return of capital, at a rate that is not fixed either in an amount or by a formula,
  - (ii) entitles the holder to a dividend or other distribution of assets, otherwise than by way of a return of capital,
    - (A) at a rate that is fixed by reference to a dividend, or
    - (B) by means of a distribution of assets in respect of a security referred to in subclause (i),
- or
- (iii) entitles the holder to
    - (A) a dividend or other distribution of assets, otherwise than by way of a return of capital, or
    - (B) payment of interest, at a rate calculated by reference to the earnings, income or profits of the dealer, whether calculated on a before-tax or after-tax basis.
- (2) "Valuation" means valuation as defined in section 170 of the Securities Regulation.

Effective date: April 20, 1989