



Guide to Security Based Compensation Arrangements



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Introduction

About this Guide

Over the last few years, executive compensation and, more particularly, security based compensation has grown in complexity and come under increased scrutiny by securities regulators, institutional investors and other market participants.

In January 2005, TSX introduced new rules governing security based compensation arrangements. These rules are detailed in section 613 of the *TSX Company Manual*. Under these rules, TSX increased disclosure requirements relating to security based compensation arrangements. Listed issuers must therefore provide detailed disclosure of their security based compensation arrangements on an annual basis in security holder materials. In addition, where security holder approval is being sought for a security based compensation arrangement, such disclosure must be pre-cleared by TSX.

The second edition of this guide, which was originally published in 2007, is intended to help listed issuers gain a better understanding of the issues relating to security based compensation arrangements and assist listed issuers in preparing meaningful disclosure that complies with TSX requirements.

This guide is organised in five sections, as follows:

Part I – Definitions: Overview of the principal terms used in connection with security based compensation arrangements.

Part II – TSX Regulatory Approach: Review of requirements for security holder approval; terms that must be included; and terms subject to the listed issuer's discretion.

Part III – TSX Disclosure Requirements: In-depth review of all of the disclosure requirements relating to security based compensation arrangements which must be disclosed to security holders on an annual basis as well as upon adoption and amendment of a plan, together with examples.

Part IV – TSX Reporting Requirements: Summary of TSX reporting requirements with regards to security based compensation arrangements.

Part V – Special Circumstances: We will examine special requirements related to anti-dilution provisions, secondary security purchase plans administered by non independent trustees, backdating of stock options as well as plans of arrangements and reorganisations.

Throughout this Guide, expressions such as “plans” and “arrangements” will be used interchangeably to refer to security based compensation arrangements in general and expressions such as “entitlements” and “awards” will be used to refer to the securities granted under security based compensation arrangements. This Guide only refers to TSX requirements in relation to security based compensation arrangements. Security based compensation arrangements may be subject to other requirements such as other exchange rules or corporate or securities legislation, as applicable.

Part I – Definitions

Cashless exercises

A cashless exercise is a feature generally found in stock option plans whereby the listed issuer has an arrangement with a brokerage firm pursuant to which the brokerage firm will loan money to a participant to purchase the securities underlying the options. The brokerage firm then sells a sufficient number of securities to cover the exercise price of the options in order to repay the loan made to the participant. The brokerage firm receives an equivalent number of securities from the exercise of the options and the participant then receives the balance of securities or the cash proceeds from the balance of such securities

For example, a participant granted options to purchase 100 shares at \$10 would need to disburse \$1,000 to purchase the underlying securities. Pursuant to the cashless exercise, the brokerage firm will advance the \$1,000 to the participant to enable the participant to exercise his options. Assuming a market price of \$15, the broker receives 67 shares from the exercise and will sell 67 shares ($\$1,000/\15) in order to repay the loan made to the participant who then receives 33 shares ($100 \text{ shares} - 67 \text{ shares}$) or \$495 ($33 \text{ shares} * \$15$).

Evergreen plan

An evergreen plan contains provisions which provide for the replenishment of the number of securities reserved when options (or other awards) are exercised. The maximum number of securities reserved for issuance is either expressed as a percentage of issued and outstanding securities or as an absolute number. In practice, this means that exercised options become available to be re-granted in the future. A plan where the maximum number of securities issuable is set as a fixed percentage of the listed issuer's issued and outstanding securities from time to time or at all times (a "rolling plan") is considered an evergreen plan.

For example, a listed issuer has a stock option plan pursuant to which 100,000 shares are issuable. Upon the exercise of 10,000 stock options, the number of shares reserved for issuance under the plan would normally be reduced by 10,000, to 90,000. An evergreen plan provides that these exercised options become available again for future grant. Hence, under an evergreen plan, the number of shares reserved for issuance would be 100,000 upon the listed issuer making application to TSX to reserve the additional 10,000 shares.

Example

EVERGREEN PLAN	
Shares reserved	100,000
Options exercised	- 10,000
Balance - shares reserved	90,000
Available to be reserved	10,000

Insider

For the purposes of security based compensation arrangements, TSX will consider as insiders of an issuer only those insiders who are "reporting insiders" as defined in National Instrument 55-104 – Insider Reporting Requirements and Exemptions.

Insider participation limit

As further described in Part II – TSX Regulatory Approach, insider participation limit means the number of the listed issuer's securities:

- i) issued to insiders of the listed issuer, within any one year period; and
- ii) issuable to insiders of the listed issuer, at any time,

under the arrangement, or when combined with all of the listed issuer's other security based compensation arrangements, which can not exceed 10% of the listed issuer's total issued and outstanding securities, respectively.

Market price

Section 613(h)(i) requires that the exercise price for any stock options not be less than market price. Market price is defined in Part 1 of the *TSX Company Manual* as the five-day volume weighted average trading price, which is calculated by dividing the total value by the total volume of securities traded for the relevant period. However, TSX will accept, as the exercise price for stock options and other awards: (a) a closing market price at the time of the grant; or (b) a reasonable pre-determined formula, based on a weighted average trading price or average daily high and low board lot trading prices for a short period of time prior to the time of the grant.

Omnibus plan

An omnibus plan allows participants to receive, within the same plan, a wide range of security based compensation awards such as stock options and deferred units.

Phantom plan

A phantom plan allows participants to receive a cash payment based on the market price of a given security once the entitlement is exercised. Hence, the participant is rewarded, on a cash basis, through the market performance of the listed securities of the listed issuer. Since phantom plans generally do not provide for the issue of securities, they are not subject to TSX oversight or approval.

Plan maximum

The plan maximum represents the maximum number of securities issuable under an arrangement. A plan maximum can be expressed as: i) a percentage of issued and outstanding securities at a particular date or at all times; or ii) an absolute number. An increase in plan maximum is subject to security holder approval under TSX rules.

Reserve

The number of securities reserved for issuance and listed which may be issued under a plan.

Restricted (or deferred) share unit plan

A restricted (or deferred) share unit plan allows participants to receive securities, for no additional cash consideration, based on the achievement of certain milestones (based on performance or passage of time, for example).

Rolling plan

A rolling plan is a plan whereby the maximum number of securities issuable is set as a fixed percentage of the listed issuer's issued and outstanding securities from time to time rather than as of a specific date. All rolling plans are evergreen plans (see definition above).

For example, a rolling plan might provide for a maximum number of shares issuable pursuant to the plan which equals 10% of issued and outstanding shares at all times. A listed issuer that has 10,000,000 shares issued and outstanding would therefore have 1,000,000 shares reserved for issuance under its plan. Assuming that 100,000 options are exercised under the plan, the number of issued and outstanding shares would be 10,100,000 and the number of shares reserved for issuance would be 900,000. Since the number of shares reserved under the plan equals 10% of issued and outstanding shares, the maximum reserve may then be set at 1,010,000 shares $[(10,000,000+100,000)*10\%]$. In this example, an additional 110,000 shares $[1,010,000 - 900,000]$ could be reserved under the plan. If the listed issuer then completes a private placement of 2,000,000 shares, a further 200,000 shares could be reserved for issuance under the plan. In order to list the additional shares which may be reserved, the listed issuer must make application to TSX.

Example

10% ROLLING PLAN		Stock Option Plan Reserve	
Issued & Outstanding Shares			
Shares issued & outstanding	10,000,000	Shares reserved	1,000,000
Options exercised	100,000	Options exercised	-100,000
Shares issued & outstanding	10,100,000	Balance	900,000
		10% of shares issued & outstanding	1,010,000
		Available to be reserved	110,000
Private placement	2,000,000		
Shares issued & outstanding	12,100,000	10% of shares issued & outstanding	1,210,000
		Available to be reserved	200,000

Service provider

For the purposes of Section 613 of the *TSX Company Manual*, a "service provider" is a person or company engaged by the listed issuer to provide services for an initial, renewable or extended period of twelve months or more.

Stock appreciation right

A stock appreciation right entitles a participant to receive consideration (in cash or securities) equal to the appreciation in value of the listed issuer's securities over a certain period of time, without having to purchase the underlying securities. A stock appreciation right may be granted in tandem with a grant of a corresponding number of options.

For example, if a participant is granted options to purchase 100 shares at \$10 and a tandem stock appreciation right, the participant may choose to exercise such option when the securities are trading at \$15 and receive 33 shares $[(100 * \$15) - (100 * \$10)] / \$15$ or to exercise the tandem stock appreciation right and receive a cash payment of \$500 $[(\$10 - \$5) * 100]$.

Stock option plan

A stock option plan allows participants to purchase a certain number of securities of a listed issuer for a pre-determined period of time at a pre-determined price, usually market price at the time the option is granted. Participants must typically wait a specified vesting period before being allowed to exercise the option.

Stock purchase plan

A stock purchase plan allows participants to purchase securities of the listed issuer, often at a discount to market price. Stock purchase plans can also entitle participants to receive additional securities of the listed issuer upon subscribing for a pre-established number of securities (e.g. for each two securities purchased at market price by the participants, the participant receives an additional security without any additional consideration). Securities issued under a stock purchase plan can be issued from treasury or purchased on the secondary market.

Vesting provisions

Vesting provisions are conditions which must be met before the participant accrues rights under a security based compensation arrangement. Vesting conditions are usually based on the passage of time or achievements of specific performance targets. Until an award or entitlement has vested, the holder is not entitled to exercise or benefit from the award or entitlement.

Part II – TSX Regulatory Approach

Security based compensation arrangements subject to TSX review

TSX rules in Section 613 of the *TSX Company Manual* apply to security based compensation arrangements pursuant to which securities of a listed issuer are issuable from treasury, that is, under which the listed issuer can issue new securities. Arrangements under which awards are settled solely in cash or in securities purchased on the secondary market (e.g. through the facilities of TSX) are not subject to TSX review and approval under Section 613. In cases where a plan provides that participants may receive securities that may be issued from treasury or purchased on the secondary market, such a plan will be subject to TSX review.

In general, the following arrangements are subject to TSX review:

1. stock option plans for the benefit of employees, insiders, service providers or any one of such groups;
2. individual stock options granted to employees, service providers or insiders if not granted pursuant to a plan previously approved by the listed issuer's security holders;
3. stock purchase plans involving issuances from treasury where the listed issuer provides financial assistance or where the listed issuer matches the whole or a portion of the securities being purchased;
4. stock appreciation rights involving issuances of securities from treasury;
5. any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the listed issuer from treasury; and
6. security purchases from treasury by an employee, insider or service provider which is financially assisted by the listed issuer by any means whatsoever.

Securities issued to service providers

Service providers should render services for a period of at least 12 months, on a continuous basis, in order to be eligible to participate in a security based compensation arrangement. Services provided by parties other than directors, officers, employees or other insiders which are of a short term nature (i.e. less than one year) will generally be considered under TSX's private placement policy and not under TSX's security based compensation policies.

Options, warrants and other securities granted to agents or underwriters in the context of a public offering, private placement, or other financing generally do not fall within the security based compensation policy of TSX. Such compensation is reviewed when TSX approves public offerings or private placements. However, if an insider of the listed issuer will be receiving security based compensation, even in such circumstances, the grant will generally be reviewed under TSX's security based compensation policy.

Fundamental TSX requirements

Security holder approval requirements

TSX rules provide that all security based compensation arrangements must be approved by the listed issuer's security holders at a meeting. This applies not only to plans, but also to individual stock options and entitlements not granted pursuant to an arrangement.

Security holder approval is also required for any amendment to an arrangement or entitlement, unless the plan permits such amendment without security holder approval (see Part II – TSX Regulatory Approach – Terms subject to listed issuer discretion – Amendment provisions).

Evergreen plans and rolling plans are subject to renewal approval every three years (see Part II – TSX Regulatory Approach – Renewal approval for evergreen plans).

When seeking security holder approval, the circular must include the information described in Subsection 613 (d) of the *TSX Company Manual* (see Part III – TSX Disclosure Requirements) and the information must be pre-cleared by TSX. We ask that listed issuers provide TSX with five business days to pre-clear the disclosure. In addition, the security holder resolution must be clear and must allow security holders to vote for or against the plan or the award being granted (or proposed amendments thereto). TSX will not accept an approval of a security based compensation arrangement that only permits security holders to vote in favour or to withhold their vote. TSX will require a certified copy of the security holder resolution be filed as evidence of security holder approval.

Exemptions from security holder approval requirements

As further discussed below, there are four exemptions from the TSX requirement to obtain security holder approval for arrangements: i) the assumption of options or other entitlements in the context of an acquisition; ii) plans adopted and disclosed prior to listing on TSX; iii) options or awards granted as an inducement to an officer not previously employed by the listed issuer; and iv) an arrangement adopted or amended by an interlisted issuer if most of the trading in the listed issuer's securities occurs on the other exchange

Assumption of awards in acquisitions

As provided in Subsections 611 (e) and (f) of the *TSX Company Manual*, listed issuers may assume security based compensation arrangements of a target issuer. In such instance, the number of securities of the listed issuer issuable pursuant to awards made under the arrangement on or prior to the acquisition date under the target issuer's arrangement will be included in the number of securities issued or issuable for the purposes of determining if security holder approval will be required for the acquisition.

Security holder approval will not be required for the assumption of the target issuer's arrangements if the number of securities issuable pursuant to such arrangements (and their applicable exercise or subscription price) is adjusted in accordance with the price per security payable by the listed issuer for the securities acquired under the acquisition, regardless of whether the adjusted exercise price is below the then current market price.

TSX will accept both the assumption of the arrangement of the target issuer or the cancellation of the target issuer's security based compensation arrangements and its replacement with an arrangement of the listed issuer.

Where a listed issuer assumes awards of a target issuer, securities of the listed issuer may only be issued for these awards and may not be used for any other purpose. Accordingly, TSX will set up a separate reserve for such awards. It is important to note that new awards may not be granted and any cancelled entitlements under such a reserve may not be re-allocated to any other participant or be used for any other purpose.

Notwithstanding that the assumption of awards of a target company may not require security holder approval, such awards: i) are subject to the annual disclosure requirements of Subsection 613 (g) of the *TSX Company Manual*; ii) will account towards dilution incurred as a result of security based compensation arrangements; and iii) will need to be considered in the insider participation limit.

Arrangements adopted prior to listing on TSX

Stock options, options plans and other security based compensation arrangements which have been adopted prior to the issuer listing on TSX and are in effect upon listing on TSX must be in compliance with TSX requirements. However, such arrangements do not need to be approved by the security holders at the time of listing on TSX.

Once an issuer has made application to list on TSX, all options and other similar entitlements granted under an arrangement

or individually must be priced at a price no lower than: i) the price at which securities are being offered in the initial public offering; or ii) market price, as applicable.

Inducements to senior officers

Security holder approval will not be required for an arrangement used as an inducement to a person (not previously an insider of the listed issuer) to enter into a contract of full time employment as an officer of the listed issuer, provided that the securities issuable to such individual do not exceed 2% of issued and outstanding securities prior to the date of the arrangement.

Exemption for interlisted issuers

Under Subsection 602 (g) of the *TSX Company Manual*, TSX will not apply its standards relating to, among other things, security based compensation arrangements to interlisted issuers where at least 75% of the trading value and volume over the six months immediately preceding notification occurs on another exchange.

This exemption permits eligible listed issuers to adopt plans without complying with the requirements in Section 613 of the *TSX Company Manual*, including security holder approval, minimum exercise price and disclosure requirements, provided that such other exchange is applying its standards to the plan. While such listed issuers are exempt from these requirements, TSX does recommend disclosure in accordance with Subsections 613 (d) and (g) as a matter of best practice.

Plan maximum

Each arrangement must specify the maximum number of securities issuable pursuant to such arrangement. This number can be expressed in absolute terms (e.g. 1,000,000 shares) or as a percentage of the total number of issued securities (e.g. 7% of the number of issued and outstanding shares of the listed issuer, from time to time).

A plan that provides for an absolute number of securities as a plan maximum may provide that awards that are exercised become available for future grant. In such instance, the plan would be considered an “evergreen” plan.

A plan maximum expressed as a percentage of the total number of securities is generally an evergreen plan unless the plan specifies that the maximum number of securities issuable will be fixed as a percentage of issued and outstanding securities as of a given date rather than from time to time.

The plan maximum must be set based on the number of issued and outstanding securities on a non-diluted basis. However, such number of issued and outstanding securities may include other classes of participating securities that are economically equivalent such as exchangeable securities and subordinate / multiple and voting / non-voting or variable shares. Therefore, where a listed issuer has a dual class structure (e.g. multiple voting and subordinate voting shares), the listed issuer may account for dilution based on the number of multiple and subordinate voting shares issued and outstanding. For example, if a listed issuer has participating securities comprised of 10,000,000 subordinate voting shares and 2,000,000 multiple voting shares issued and outstanding and is adopting a stock option plan where a maximum of 1,200,000 subordinate voting shares can be issued, dilution would be 10% $[1,200,000 / (10,000,000 + 2,000,000)]$. In accordance with TSX restricted securities policy, a plan may not provide for the issuance of multiple voting or similar securities.

Convertible and exchangeable securities such as preferred securities, convertible debentures and security purchase warrants, may not be accounted for in the denominator when calculating dilution.

Increases in a plan maximum are subject to security holder approval. Evergreen plans are subject to security holder renewal approval every three years. See “Renewal approval for evergreen plans” below.

Renewal approval for evergreen plans

Within three years after institution and within every three years thereafter, listed issuers must obtain security holder approval for an evergreen plan in order to continue to grant awards. Evergreen plans contain provisions so that the awards replenish upon the exercise of options or other entitlements, and such provisions must be properly disclosed and approved by security holders. Security holders must pass a resolution specifically approving unallocated entitlements under the evergreen plan. Security holder approval relating to other types of amendments to an evergreen plan will not be accepted as implicit approval to continue granting awards under an evergreen plan. In addition, the resolution should include the next date by which the listed issuer must seek security holder approval, such date being no later than three years from the date such resolution was approved.

If security holder approval is not obtained within three years of either the institution of an evergreen plan or subsequent approval, as the case may be, all unallocated entitlements will be cancelled and the listed issuer will not be permitted to grant further entitlements under the evergreen plan until such time as security holder approval is obtained. However, all allocated awards under an evergreen plan, such as options that have been granted but not yet exercised, will continue unaffected.

If security holders fail to approve the resolution for the renewal of a plan, the listed issuer must forthwith stop granting awards under such plan, even if such renewal approval was sought prior to the end of the three-year period. Again, all allocated awards under an evergreen plan, such as options that have been granted but not yet exercised, will continue unaffected.

Board of director approval

All plans must be approved by a majority of the listed issuer's directors at its inception. Amendments to arrangements must also be approved by a majority of a listed issuer's directors. TSX will require that a certified copy of the board resolution be filed in order to list the additional securities or accept notice of the amendments.

Disinterested security holder approval

Where a plan (together with all other security based compensation arrangements) does not contain the insider participation limit, insiders eligible to participate in the plan are not entitled to exercise the voting rights attached to their securities (see Part II – TSX Regulatory Approach – Fundamental TSX requirements – Insider participation limit).

For dual class issuers, where a disinterested vote is required, all holders of residual equity securities are entitled to vote on the basis of their respective residual equity interests. For example, where the listed issuer has non-voting and voting shares listed on TSX, the non-voting shareholders are entitled to vote on the arrangement, together with the voting security holders. In the case of a multiple voting structure, multiple vote shareholders will be entitled to one vote per share.

Insider participation limit

The extent to which insiders are eligible to participate in security based compensation arrangements will determine whether or not insiders will be eligible to vote on such arrangements (when adopted, renewed or amended).

Security holder approval on a disinterested basis will be required unless plans contain the insider participation limit. Insider participation limit is defined in Part I of the *TSX Company Manual* as “the number of the listed issuer's securities: i) issued to insiders of the listed issuer, within any one-year period, and ii) issuable to insiders of the listed issuer, at any time, under the arrangement, or when combined with all of the listed issuer's other security based compensation arrangements, which can not exceed 10% of the listed issuer's total issued and outstanding securities, respectively.”

Insiders of the listed issuer entitled to receive a benefit under the arrangement are not eligible to vote their securities unless the plan contains the insider participation limit described above. Where insiders are not entitled to vote their securities, the circular (or similar document) must clearly state that insiders are excluded from the vote and disclose the number of securities which are excluded from such vote (see Part III – TSX Disclosure Requirements – Required information – Insider participation).

Granting options while there is undisclosed material information

When undisclosed material information exists, it is not appropriate for the board of directors (or a duly appointed committee of the board) of a listed issuer to set option (or other awards) exercise prices, or prices at which securities may be otherwise issued on the basis of market prices which do not reflect material information of which management is aware but which has not been disclosed to the public. This prohibition remains the case even if the recipient of the award is not aware of the undisclosed material information or the award is being granted in the context of an “annual” or regular grant.

There are two exceptions to this rule:

1. employees may acquire securities under a share purchase plan on specified terms if they previously committed to the acquisition at a time when they did not have knowledge of the undisclosed material information; and
2. a person or company who is neither an employee nor an insider of the listed issuer may be granted options at a price set when the material information is still undisclosed if the grant relates to the undisclosed event (such as an acquisition by a listed issuer of another company or the appointment of a new senior officer not previously employed by the listed issuer).

If TSX becomes aware of options having been granted while material information is undisclosed, it will require that those awards be cancelled, forfeited or re-priced to a price established after the material information has been disclosed to the market and the impact on the trading price of the securities underlying the options is known. In addition, TSX may require disclosure in the continuous disclosure documents (e.g. management information circular, management discussion and analysis of financial results, etc.) of the listed issuer of the cancellation, forfeiture or re-pricing and the circumstances that led to such action. TSX will not consider the fact that the awards have been granted during a regular or annual grant period to be a mitigating factor.

Market price

Every stock option plan (or similar plan) must provide for an exercise price that is not lower than market price at the time of grant.

Notwithstanding Section 613 (h)(i) of the *TSX Company Manual*, which requires that the exercise price for any stock options not be less than “market price” (defined in Part I of the *TSX Company Manual* as being the volume weighted average trading price for a period of five days), TSX accepts as the exercise price for stock options and other similar securities: (a) a closing market price the day before the grant; or (b) a price determined by a reasonable pre-determined formula, based on a weighted average trading price or average daily high and low board lot trading prices for a short period of time prior to the time of the grant. All arrangements must specify the method used for determining market price and that method must be consistently used to set exercise prices.

For interlisted issuers, the plan should also specify which exchange’s trading data is used to establish the market price.

If market price is established in a currency other than Canadian dollars and the plan provides for the ability of the holder to exercise options in Canadian dollars, the exchange rate at the time that the award is granted must be used.

Plans can also provide for alternative formulas for setting market price. For example, in the case of thinly traded securities, the formula may provide that the exercise price shall not be lower than the closing price of the securities on TSX on the last trading day preceding the date of the grant, but if there has not been at least one board lot so traded, the exercise price shall be the volume weighted average trading price of the securities on TSX for the five (5) trading days preceding the date of the grant.

For interlisted issuers, the plan may provide that the exercise price must not be lower than the higher of the Canadian dollar equivalent (using the noon rate of the Bank of Canada on the date of grant) that the closing price of the securities on TSX and the other exchange. TSX recommends that listed issuers take into account the trading volume of the securities underlying the awards when selecting which exchange will be used to establish market price.

The key principle is to ensure the formula represents the most reasonable reflection of the market price of the listed issuer's listed securities and that such formula is consistently applied to each grant. For example, formulas which would allow the listed issuer to select the "lower of" market prices or afford the discretion to select the exchange on which market price is established are not acceptable. A listed issuer must not have the discretion to choose from various prices.

Entitlements granted subject to security holder ratification

Listed issuers may adopt a new plan or amend the plan maximum, subject to security holder ratification. While the board may grant options or other awards under such circumstances, they may not be exercised or vest until such time that they have been ratified by security holders at the issuer's next meeting. For evergreen plans, grants are also permitted during the period where the ability to grant entitlements has lapsed, until such time that renewal approval has been obtained.

Where entitlements are granted subject to security holder ratification, specific disclosure to that effect must be included in the circular. (See Part III – TSX Disclosure Requirements – Required information – Entitlements subject to security holder ratification).

Terms subject to listed issuer discretion

Administration

A plan should provide for a responsible person or group for the administration of the plan. Generally, it should be the board of directors' responsibility to administer the plan, approve amendments and approve awards granted under the arrangement. The plan can provide that the board of directors may delegate administrative duties and powers to a committee of the board, an officer, a director or another responsible individual. In such instance, the plan should clearly define which duties and powers may be delegated and to whom. Any delegation should be clearly documented in a board resolution.

Amendment provisions

In order for a listed issuer to amend a plan, or an agreement or award subject to a plan, the plan must specify if the board of directors or board committee responsible for the plan's administration has the authority to make such amendments without security holder approval. Such authority to amend the plan and entitlements subject to the plan must be approved by security holders (either when the plan is initially adopted or at the time of a subsequent amendment). If the amendment provision has not been approved by security holders, or the amendment provision does not allow the listed issuer to make the proposed amendment without security holder approval, security holder approval will be required by TSX.

Listed issuers should introduce detailed amendment provisions to their arrangements. Such amendment provisions can empower the board of directors to make fundamental changes to a plan. Such amendment provisions are subject to security holder approval and, accordingly, the information circular must include a description of the changes that may be made without security holder approval, together with examples. TSX may also require that a copy of the plan be included with the circular.

Notwithstanding any provision in a plan allowing amendments without security holder approval, specific security holder approval is required for the following:

1. a reduction in the exercise price or purchase price benefiting an insider of the issuer;
2. an extension of the term benefiting an insider of the issuer;
3. any amendment to remove or to exceed the insider participation limit;
4. an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the listed issuer's outstanding capital represented by such securities; and
5. amendments to an amending provision within a security based compensation arrangement.

Listed issuers are not required to include the prohibitions outlined above in their plans as such prohibitions are provided for under TSX rules. The plan may provide that the board may not proceed with any amendment proscribed under TSX rules. However, any additional items or elements which listed issuers are prohibited to amend without security holder approval should be specified both in the plan and in the circular (see Part III – TSX Disclosure Requirements – Required Information - Amendment procedure).

When a listed issuer amends a plan, such amendment must be reviewed and pre-cleared by TSX.

Anti-dilution adjustments

Arrangements should provide for adjustments to the number and exercise price of awards in the event of corporate actions such as stock splits and consolidations. Participants must not be penalized or favoured by such corporate actions and subsequent adjustments.

For example, if a listed issuer undertakes a 2-for-1 stock split, the number of shares reserved and options outstanding should double and the exercise price should be reduced by half.

For distributions paid in the normal course of business, there are usually no adjustments made to the exercise price or the number of awards. However, some listed issuers, in particular income trusts where stock appreciation is limited, compensate for distributions by lowering the exercise price. For special distributions to all security holders, the plan may provide that the exercise price of awards will be adjusted. Such adjustment is normally based on the market price of the security before and after the ex-distribution date.

While arrangements should include proper anti-dilution provisions, such plans must not treat option holders like shareholders. Option holders should not be entitled to participate in distributions or dividends and must not have rights (e.g. voting) similar to those of security holders who have paid for their securities.

In the absence of anti-dilution adjustment provisions, TSX will make the appropriate adjustments for corporate actions such as stock splits and stock consolidations (see Part V – Special Circumstances – Anti-dilution provisions).

Assignability and transferability

An arrangement should provide for whether or not options or entitlements can be assigned to a third party. In the case where the board of directors deems it appropriate that awards may be transferred, the plan should provide in which instances awards may be transferred (e.g. transfers to an entity or a trust controlled by the participants, transfers to an estate in case of death).

TSX rules do not prohibit the transfer or assignment of awards. However, some institutional investors routinely vote against plans which allow for the transfer or the assignment of awards on the basis that such provisions remove the motivation of participants to increase the value of the listed issuer's securities.

Black out periods

Many listed issuers have adopted trading policies whereby they are under self imposed black out periods from time to time, during which officers, directors and employees cannot exercise options or trade in securities of the issuer.

TSX will accept plans providing an expiration date that is “conditional” upon expiration of an award during a black out period. Arrangements may provide that the expiration of the term of an option may be the later of a fixed expiration date (as provided in the plan or the agreement), or a date shortly after the fixed expiration date should such date fall within, or immediately after, a black out period. Where an award expires immediately after the black out period ends, the extension should be reduced by the number of days between the expiration date and the end of the black out period. For example, options set to expire two days after a listed issuer has lifted its trading restrictions, would expire eight days after the end of the trading restriction where the plan provides for a 10-day extension.

TSX will accept black out expiration periods if:

1. the conditional expiry date is only available when the black out period is self imposed by the listed issuer (i.e. it should not be available if the listed issuer or its insiders are subject to a cease trade order);
2. the extension of the term upon the end of black out period is reasonable (i.e. five to ten business days), clearly defined in the plan and not subject to board discretion; and
3. the conditional expiry date is available to all eligible participants under the plan, under the same terms and conditions.

Change of control provisions

Listed issuers may consider it appropriate to include certain provisions in the event that there is a change of control, for example, as a result of a take-over bid for the listed issuer. Most change of control provisions provide for, or permit the board of directors (or authorized board committee) to authorize, the accelerated vesting of all options or other entitlements. This allows participants to tender their securities to the bid. Some change of control provisions also provide for the cashless exercise of options upon or following a change of control event. Any such provision should define change of control events.

Eligibility

Listed issuers must decide who will be entitled to participate in the plan. Usually, officers, directors, certain employees and service providers are eligible to participate. Listed issuers are responsible for ensuring that securities are issued to participants in compliance with applicable securities laws.

While TSX rules do not prohibit the participation of non-employee directors in stock option plans, some institutional investors routinely vote against plans which allow non-employee director participation on the basis that direct security ownership better aligns the interests of directors with those of security holders.

Financial assistance

Certain plans provide that the listed issuer will offer financial assistance to participants. This assistance often takes the form of interest-free or low interest loans for security purchase programs or short term loans for stock option plans. Plans that provide for financial assistance should include provisions addressing whether or not the securities will be pledged and whether any shortfall will be repaid if such securities are realised upon (i.e. recourse or non-recourse).

The listed issuer must decide if it is appropriate to provide financial assistance in the context of an arrangement. The terms of the financial assistance must be properly described in the plan and in the circular.

Maximum to one individual

Prior to January 2005, TSX limited participation of one individual to 5% of issued and outstanding securities. On January 1, 2005, TSX removed this individual limit. The board of directors may decide if it is appropriate to set a maximum number of securities (expressed as a percentage of issued and outstanding securities) issuable to one individual and if so, what that percentage or number should be.

Purchase price for stock purchase plans

Stock purchase plans must describe the “subsidy” to be granted to participants. Generally, discounts to the purchase price (funded by the listed issuer) are in the 10% to 15% range from the market price of the listed securities. In cases where additional securities are issued for no additional consideration to a participant purchasing securities under a stock purchase plan, the number of “free” securities issued is generally in the range of one security for every two securities subscribed for by the participant.

Term

Prior to January 2005, TSX limited option (or award) terms to ten years. TSX no longer regulates maximum term requirements for stock options and other types of entitlements. Most plans continue to provide for maximum terms of ten years or less. The plan should specifically provide for a maximum term, but may also grant the board of directors with the authority to set the term at each grant. The arrangement may also provide a fixed term, with no discretion for the board of directors to grant shorter or longer terms.

Termination provisions

Plans should provide for the period of time that the entitlement is valid and remains exercisable when an employee has resigned, has been dismissed (for cause or without cause), has retired, has died or is incapacitated. The period of time may vary depending on the circumstances which led to the termination of the participant’s employment or term (in the case of a directorship). For example, it may be appropriate to grant a longer period of time to a participant to exercise options upon retirement than in the case of a dismissal for cause.

Vesting

Listed issuers should decide what vesting terms are appropriate for their organization and arrangement. The plan may provide for detailed vesting terms or may leave it at the discretion of the board of directors to set vesting terms at each option grant. Many plans provide for specific vesting terms (for example, one-third of the options granted vest cumulatively upon each anniversary of the grant).

Vesting terms may be in a variety of forms, from the passage of time, to the achievement of certain performance targets (of the participant, the listed issuer or of the listed securities).

Part III – TSX Disclosure Requirements

When security based compensation arrangements are instituted, and when an amendment to an arrangement requires security holder approval, security holders must be given the information required to make an informed decision. All material aspects of the arrangement must be disclosed, as provided for in Subsection 613 (d) of the *TSX Company Manual*. Simply annexing a copy of the arrangement to the circular will not satisfy the disclosure requirements under Subsection 613 (d). In addition, pursuant to Subsection 613 (g), the principal terms of the arrangement must be disclosed annually. In Appendix A, a checklist of disclosure items is provided.

Where security holder approval is required, disclosure in the circular must be pre-cleared by TSX. Materials prepared for security holders' meetings should be submitted to TSX at least five business days in advance of printing to allow TSX to pre-clear such materials. Failure to pre-clear can result in TSX not accepting the plan or amendments to the plan if the disclosure is deemed deficient, i.e. not in full compliance with Subsection 613 (d) of the *TSX Company Manual*.

Required information

The information provided in the circular (or similar document) should be disclosed as at the date of the circular. Accordingly, listed issuers must update their year-end information as at the date of the circular.

Below, you will find items with respect to which the listed issuer must include disclosure in the circular. The objective is to disclose the principal terms of each arrangement, including arrangements assumed by a listed issuer as a result of an acquisition. Where an amendment is being made and such amendments require security holder approval, the circular must fully disclose the amendment being made, in addition to the disclosure required under Subsection 613 (d) of the *TSX Company Manual*. Examples of appropriate disclosure have been provided as a reference.

Amendment provision

The circular must provide information on the procedure for amending each arrangement, including specific disclosure as to whether security holder approval is required for certain amendments.

The Board has the discretion to make amendments which it may deem necessary, without having to obtain shareholder approval. Such changes include, without limitation:

1. minor changes of a "housekeeping nature";
2. amending options under the Plan, including with respect to the option period (provided that the period during which an option is exercisable does not exceed ten years from the date the option is granted and that such option is not held by an Insider), vesting period, exercise method and frequency, subscription price (provided that such option is not held by an Insider) and method of determining the subscription price, assignability and effect of termination of a participant's employment or cessation of the participant's directorship;
3. changing the class of participants eligible to participate under the Plan;
4. accelerating vesting or extending the expiration date of any option (provided that such option is not held by an insider), provided that the period during which an option is exercisable does not exceed 10 years from the date the option is granted;
5. changing the terms and conditions of any financial assistance which may be provided by the Company to participants to facilitate the purchase of Shares under the Plan; and
6. adding a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Shares from the Plan reserve.

The Plan also provides that shareholder approval will be required in the case of: (i) any amendment to the amendment provisions of the Plan; (ii) any increase in the maximum number of Shares issuable under the Plan; and (iii) any reduction in the exercise price or extension of the option period benefiting a participant, in addition to such other matters that may require shareholder approval under the rules and policies of TSX.

The Board has the authority to make the following amendments to the Plan, without requiring shareholder approval:

1. amendments of a “housekeeping” nature;
2. a change to the vesting provisions of options granted pursuant to the Plan; and
3. a change to the termination provisions of options granted under the Plan which does not entail an extension beyond the original expiry date.

All other amendment to the Plan or entitlements granted pursuant to the Plan will require the approval of the Company’s shareholders.

Assignability

The circular must disclose the assignability of benefits and awards and the conditions for such assignability.

Options may not be assigned or transferred, with the exception of an assignment made to a personal representative of a deceased participant.

Awards granted pursuant to the Plan may not be assigned to a third party under any circumstances.

Cessation

Listed issuers must disclose the circumstances under which awards will expire under each arrangement, including in circumstances where an employee is terminated.

Unless the board of directors decides otherwise, Options granted under Plan will expire at the earlier of the Expiry Date and: i) twelve (12) months after the Optionee’s death; or (ii) thirty (30) days after the resignation of the Optionee; (iii) at the date the Company ends the Optionee’s employment for cause; (iv) twelve (12) months after the date of a retirement or an authorized leave of absence; (v) ninety (90) days following the Optionee’s leave for another reason.

Eligibility

The circular must include information about which individuals are eligible to participate in the plan.

Employees, directors and officers of the Trust and its subsidiaries are eligible to participate in the Plan. The Trustees will make the final determination as to who is eligible to receive Awards under the Plan.

The Corporation has adopted a Deferred Unit Plan to provide directors with a stake in the Corporation while they serve on the Board of directors.

Entitlements subject to security holder ratification

The circular must include information about entitlements granted under each arrangement which are subject to security holder ratification. The following information must be included in the circular:

1. explanation as to the circumstances (e.g. new plan, amendment to plan max, timing for renewal approval) that led to the options being granted that now must be ratified by shareholders;
2. details of the options to be ratified including the number of options, the date of the grant, the exercise price and expiry date. Such information should be provided for directors, officers and other employees as separate categories; and
3. language to the effect that should security holders not ratify these options, awards or other entitlements, these options, awards or other entitlements will be cancelled forthwith.

The Board of Directors adopted the Restricted Awards Plan (the Plan) on January 15, 2010. Since the Plan was adopted, 3,000 Restricted Awards have been granted to two executive officers of the Company. Such Awards will vest on January 14, 2012. These Awards cannot be exercised until such time that shareholders of the Company have approved and ratified the Plan and the grants. Should shareholders fail to approve the Plan, these Awards will be cancelled forthwith.

On February 14, 2010, the Board of Directors granted a total of 420,000 Options which may be exercised at a price of \$1.25 until February 13, 2020, subject to the increase in the plan maximum from 1,000,000 to 2,000,000 as discussed above. Of the 420,000 Options, 300,000 have been granted to insiders at exercise prices ranging from \$1.25 (expiring August 2017) to \$1.75 (expiring May 2020). These Options cannot be exercised until such time that the Company has obtained shareholder approval for the increase in plan maximum as discussed in "Amendment to Stock Option Plan" and that the options granted have been ratified by shareholders. These Options will be cancelled if shareholders do not approve the increase in number of common shares which may be issued pursuant to the Plan.

The following table summarises options granted by the Fund as a result in the increase in the Plan maximum detailed above that are subject to Unitholder ratification:

	# of options	Exercise Price	Expiry Date
Directors	100,000	\$20.50	February 18, 2015
Officers	200,000	\$22.00	March 20, 2015
Employees	125,000	\$18.25	April 30, 2015

Exercise price

Listed issuers must state the method by which the exercise or purchase price is determined under each arrangement.

The plan provides that the exercise price of options may not be lower than the closing price of the common shares on Toronto Stock Exchange on the day preceding the grant.

The plan provides that the exercise price of Options may not be lower than the volume weighted average trading price of the Shares on Toronto Stock Exchange over a period of five days preceding the date of grant.

The exercise price of Options may not be lower than the higher of: i) the closing price of the common shares on Toronto Stock Exchange on the day preceding the grant; and ii) the Canadian dollar equivalent (using the Bank of Canada noon rate on such day) of the closing price of the common shares on the New York Stock Exchange on the day preceding the grant.

Upon meeting performance objectives, as established by the Board of Directors at the time the Awards were granted, Participants will receive such number of common shares as allotted to them for no further consideration.

Financial assistance

Listed issuers must disclose if financial assistance may be provided to participants under a plan and if so provided, the terms of such assistance must also be disclosed. Where financial assistance is not provided, listed issuers may disclose the absence of financial assistance, in the interest of enhanced disclosure.

The Company can provide loans bearing interest at a rate per annum equal to the Bank of Canada overnight rate plus 2% for up to one year to Officers who wish to subscribe to Common Shares in the capital of the Company. In such circumstances, half the Common Shares so subscribed must be pledged as collateral for the loan which is payable, at the request of the Company, within five business days of a Participant having received such request.

In order to facilitate the payment of the exercise price of the Options, the Company provides short term loans to Directors for a period of up to ten business days. The shares received upon the exercise of such Options are pledged as collateral for the loan until it has been fully repaid.

Insider participation limit

The circular must include disclosure with regard to restrictions on insiders participating in security based compensation arrangements or state that there are no restrictions. The maximum percentage (if any) of the listed issuers' securities issuable and available to insiders must be disclosed.

Plan with insider participation limit

The plan limits insider participation such that the number of common shares issued and issuable at any time to insiders within a one-year period, under the plan and any other security based compensation arrangement, does not exceed 10% of issued and outstanding common shares.

Plan without insider participation limit

The plan does not limit insider participation.

Number of securities issued and issuable

Listed issuers must disclose the maximum number of securities issued and issuable under each arrangement and the percentage such number of securities represents in terms of the listed issuer's outstanding capital. If the listed issuer is seeking approval for an increase in the number of securities issuable pursuant to an arrangement, the circular must disclose the amount of such increase and the percentage such number represents in terms of the listed issuer's outstanding capital.

Fixed maximum

There is a maximum of 1,000,000 common shares reserved for issuance under the Plan, representing 8% of the issued and outstanding common shares as at the date of this Circular.

Evergreen – Expressed as a percentage

The plan provides that the maximum number of Shares issuable upon the exercise of Options shall not exceed such number which represents 7% of the issued and outstanding Shares of the Company from time to time. As a result, should the Company issue additional Shares in the future, the number of Shares issuable under the Stock Option Plan will increase accordingly. The Stock Option Plan of the Company is considered an "evergreen" plan, since the Shares covered by Options which have been exercised shall be available for subsequent grants under the Stock Option Plan and the number of Options available to grant increases as the number of issued and outstanding Shares of the Company increases.

Evergreen – Expressed as an absolute number

There is a maximum of 1,000,000 common shares reserved for issuance under the Plan, representing 10% of the issued and outstanding common shares as at the date of this Circular. As Options exercised pursuant to the plan become available again for future grant, the Plan of the Company is considered an “evergreen” plan. As such, TSX requires that such plan be submitted to shareholders of the Company for ratification every three (3) years.

Fixed maximum - Amendment

There currently is a maximum of 1,000,000 common shares reserved for issuance under the Plan, representing 10% of the issued and outstanding common shares as at the date of this Circular. On July 20, 2010, the Board of directors approved an increase to the plan maximum whereby the number of common shares of the Company reserved for issuance will be fixed at 1,200,000 common shares (the “Increase”), representing 12% of the issued and outstanding common shares as at the date of this Circular. Shareholders of the Company are being asked to approve the Increase by a majority of votes cast and the full text of the resolution to be approved by shareholders is attached to Appendix A of the Circular.

Fixed maximum – Amendment, Disinterested security holder approval required

There currently is a maximum of 1,000,000 common shares reserved for issuance under the Plan, representing 10% of the issued and outstanding common shares as at the date of this Circular. On July 20, 2010, the board of directors approved an increase to the plan maximum whereby the number of common shares of the Company reserved for issuance will be fixed at 1,200,000 common shares (the “Increase”), representing 12% of the issued and outstanding common shares as at the date of this Circular. Shareholders of the Company are being asked to approve such Increase and the full text of the resolution to be approved by shareholders is attached to Appendix A of the Circular.

The Plan does not limit the participation of insiders. The aggregate number of the Company’s common shares: i) issued to insiders within any one year period; and ii) issuable to insiders at any time under the Plan, could exceed 10% of the Company’s issued and outstanding common shares. TSX rules provide that the votes attached to the securities held by all insiders eligible (the “Eligible Insiders”) to participate to the Plan, must be excluded. Accordingly, shareholders of the Company, other than the Eligible Insiders, are being asked to approve the increase by a majority of votes cast. As of the date of this circular, 345,900 common shares held by Eligible Insiders will be excluded from the vote.

Issuer with several arrangements

The Trust has several security based compensation arrangements pursuant to which Units may be issued from treasury, as follows:

1. the 1999 Stock Option Plan pursuant to which 1,400,000 Units are issuable, representing 1.4% of the issued and outstanding Units of the Trust as of the date hereof;
2. the Share Purchase Plan pursuant to which 3,000,000 Units are issuable, representing 3% of the issued and outstanding Units of the Trust as of the date hereof;
3. the U.S. Employees Stock Option Plan pursuant to which 1,000,000 Units are issuable, representing 1% of the issued and outstanding Units of the Trust as of the date hereof; and
4. a Stock Option Agreement with its Chief Executive Officer pursuant to which 100,000 Units are issuable, representing 0.1% of the issued and outstanding Units of the Trust as of the date hereof.

Accordingly, an aggregate of 5.5 million Units are currently issuable under all security based compensation arrangements of the Trust, representing 5.5% of the issued and outstanding Units of the Trust as of the date hereof.

Securities under grants

The circular must include disclosure of the total number of awards outstanding which will result in securities being issued and the percentage such securities represent of the listed issuer's currently outstanding capital. These numbers must match with the records of TSX. Any discrepancy with TSX records must satisfactorily be resolved prior to pre-clearance of the circular.

Since the Plan's inception, 700,000 options have been granted, of which 200,000 have been cancelled and 300,000 have been exercised. Accordingly, as of the date hereof, 200,000 options are currently under grant, representing 2% of the issued and outstanding securities of the Company.

There are currently 200,000 Awards outstanding under the Restricted Unit Plan and 1,000,000 options currently under grant pursuant to the Stock Option Plan, which represents, as of the date hereof, 1.2% and 6% respectively, of the issued and outstanding Shares of the Company.

Maximum issuable to one person

The circular must disclose the maximum number of securities (or state that there is no such maximum) that any one person or entity is entitled to receive under each arrangement and the percentage such number represents in terms of the number of outstanding securities in the capital of the listed issuer.

Plan with limit

The plan provides that any one individual cannot receive options under the plan or any other arrangement of the Company which will entitle such individual to receive more than 5% of the issued and outstanding common shares of the Company.

Plan without limit

The plan does not provide for a maximum number of shares which may be issued to an individual pursuant to the plan and any other share compensation arrangement (expressed as a percentage or otherwise).

Purchase price

The circular should disclose the method of determining the purchase price for securities under security purchase arrangements, with specific disclosure as to whether the purchase price could be below the market price of the securities.

The plan provides that the Participant may purchase Shares of the Company at a price equal to 85% of the volume weighted average trading price of the Shares on Toronto Stock Exchange for the five-day period preceding the purchase date.

For every two common shares subscribed for by the Participant at a price equal to the volume weighted average trading price on Toronto Stock Exchange on the day preceding the purchase, the Company will issue one additional common share to the Participant without any further payment from the Participant.

The plan provides that the Participant will receive, for every three Shares subscribed at Market Price, one additional Share of the Company for no further consideration. This results in an effective discount to Market Price of 33%.

Stock appreciation rights

Listed issuers must discuss if the plan provides for the ability to transform a stock option into a stock appreciation right involving an issuance of securities from treasury. In such instances, the formula for calculating market appreciation of stock appreciation rights must also be disclosed.

At the election of the Participant, Options granted may be surrendered to the Company in consideration for such number of Shares having an aggregate value equal to the excess of the Market Price of the Shares over the Exercise Price of the Options, at the time of such surrender.

Term

The circular must include disclosure on the terms of stock options or other awards.

The Board will set the term of Stock Options granted under the plan and such term cannot exceed ten years.

Vesting

Listed issuers must include a description of the vesting terms and other conditions relating to the exercise of awards.

The Board of Directors fixes the vesting terms it deems appropriate when granting options.

Unless the Compensation Committee decides otherwise, the Plan provides that Options will vest as to 25% on each of the date of grant and the following three anniversaries of the date of grant.

One-half of the Restricted Awards will vest only if the Company's Return on Equity is at or above the 75th percentile of the average Return on Equity for companies in the TSX/S&P Composite Index , over the same period of time. The other half of the Restricted Awards vest based on the passage of time, as decided by the Board at the time of grant.

Other information

The circular must also include other material information as may be reasonably required for a security holder to make an informed decision or have a good understanding of the arrangement such as:

1. Failure to obtain security holder approval for the arrangement in the past;
2. The fact that the plan was assumed by the listed issuer as a result of a merger or acquisition;
3. Description of corporate actions (e.g. stock splits and consolidations) which resulted in adjustments to the entitlements;
4. Ability to extend the terms of options expiring during a black out period;
5. Entitlements to dividends and distributions in the case of deferred unit plans; and
6. Impact of a change of control on the terms and conditions attached to entitlements.

Security holder resolution and proxy

Listed issuers seeking security holder approval for a new plan or for an amendment to an arrangement must ensure that the security holder resolution is specific.

If security holders are approving a new arrangement, the resolution may include basic information on the principal terms of the plan such as eligibility and maximum number of securities issuable under the arrangement. Alternatively, the resolution may cross reference the disclosure in the circular. The resolution should also seek ratification of any entitlements granted subject to security holder approval.

Whereas:

1. the Board of Directors of the Company approved on July 15, 2010 the adoption of a stock option plan (the “Stock Option Plan”) for the benefit of directors, officers, employees and service providers of the Company and its subsidiaries;
2. there will be a maximum of 10,000,000 common shares reserved for issuance under the Stock Option Plan;
3. the Board of Directors has granted 500,000 stock options subject to shareholder ratification, of which 200,000 were granted to insiders of the Company, at prices ranging from \$2.50 to \$3.00 with expiry dates varying from July 15, 2012 and August 15, 2015 (the “Granted Options”), as described in this circular;

Be it resolved that:

1. the Stock Option Plan of the Company as disclosed in this Circular be and is hereby approved;
2. the Granted Options as disclosed in this Circular be and are hereby ratified;
3. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determined to be necessary in order to give full effect to the intent and purpose of this resolution.

Where security holder approval is being sought for an amendment to the arrangement, the resolution must be specific to the amendment(s) being approved (e.g. increase in plan maximum by 200,000 common shares from 1,000,000 to 1,200,000). If entitlements have been granted subject to security holder approval, resolution must also state that such entitlements are being approved and ratified by security holders.

Whereas the Board of Directors of the Company approved on July 15, 2010 certain amendments to the stock option plan of the Company (the “Stock Option Plan”) as described in this circular in order to:

1. increase the maximum number of common shares issuable upon the exercise of options by 200,000, from 1,000,000 to 1,200,000;
2. adopt new amendment provisions; and
3. extend the exercise period for option holders otherwise prevented from exercising options due to black out periods.

Whereas the Board of Directors of the Company has granted 50,000 stock options subject to shareholder ratification, as described in this circular;

Be it resolved that:

1. the maximum number of common shares issuable upon the exercise of options be increased by 200,000, from 1,000,000 to 1,200,000;
2. the provisions governing amendments to the Stock Options Plan specifying when security holder approval of amendments is required be adopted; and
3. the exercise period of option holders otherwise prevented from exercising options because of black out periods be extended by a further ten business days after such black out period ends;
4. the 50,000 stock options granted subject to shareholder ratification, are hereby ratified; and
5. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determined to be necessary in order to give full effect to the intent and purpose of this resolution.

For evergreen plans, security holders must pass a resolution specifically approving unallocated entitlements under the evergreen plan. In addition, the resolution should include the next date by which the listed issuer must subsequently seek security holder approval, such date being no later than three years from the date such resolution was approved.

Whereas:

1. the Board of Directors of the Company adopted on March 5, 2007 a Stock Option Plan (the “Stock Option Plan”) which does not have a fixed maximum number of common shares issuable;
2. the shareholders of the Company approved the Stock Option Plan, by a majority of votes cast, on June 5, 2007;
3. the rules of Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years;

Be it resolved that:

1. all unallocated options under the Stock Option Plan be and are hereby approved; and
2. the Company have the ability to continue granting options under the Stock Option Plan until June 5, 2013, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought;
3. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determined to be necessary in order to give full effect to the intent and purpose of this resolution.

When seeking security holder approval, listed issuers must ensure that the security holder resolution and the proxy instructions allow security holders to vote “for” or “against” the resolutions. TSX will not accept security holder resolutions and proxy instructions which provide for security holders to vote “for” or “withhold”.

Annual disclosure requirements

Listed issuers must disclose on an annual basis in their information circulars (or equivalent document) the terms of their arrangements. Information should be provided in respect of each item in Subsection 613 (d) of the *TSX Company Manual* and described in Part III of this Guide.

In addition, listed issuers must disclose amendments that were adopted in the last fiscal year in accordance with the amendment procedures in the plans.

In the course of the last fiscal year, the Board of Directors approved the following amendments to its Stock Option Plans, in accordance with the amendment procedures in the Stock Option Plan:

- Increase of the period during which options may be exercised by an Option holder following his or her death from 30 days to 60 days;
- Change in the definition of “Market Price” from closing price of the common shares on TSX on the day prior to the grant to the volume weighted average price of the common shares for a period of three days ending one day prior to the date of grant; and
- Addition of consultants (individuals providing service to the Company on a continuous basis for at least 12 months) as eligible to receive options under the Plan.

Part IV – TSX Reporting Requirements

Monthly (quarterly) reporting requirements

Listed issuers are required to advise TSX within ten (10) days after the end of each month in which any change to the number of securities outstanding or reserved for issuance has occurred (including a reduction in such number that results from a cancellation or redemption), using Reporting Form 1 – Change in Outstanding and Reserved Securities. When there are no changes to the number of securities outstanding or reserved for issuance in a given quarter, a “nil” Form 1 should be filed on a quarterly basis for the periods ended March 31, June 30, September 30 and December 31 of each year. These requirements are in Sections 605 and 613 (i) of the *TSX Company Manual* as well as in the instructions for Form 1.

This reporting requirement is an integral part of a listed issuer’s ongoing compliance with the rules of TSX as well as with the listed issuer’s listing agreement with TSX.

Basics of reporting

Upon a security based compensation arrangement being adopted, the listed issuer must list and reserve the maximum number of securities issuable pursuant to such arrangement. Such number of securities is what we call a “reserve”.

The reserve only increases upon additional securities being reserved for issuance under the arrangement, that is, when security holders approve an increase to the plan maximum or to the number of securities issuable under the arrangement (unless the listed issuer has an evergreen plan). The number of securities reserved for issuance only decreases when options are exercised. Grants and cancellations do not affect the reserve.

The listed issuer should also keep track of the number of awards being granted, exercised and cancelled. The number of awards outstanding should not exceed the number of securities reserved for issuance under the arrangement.

Example:

New arrangement with a plan maximum of 1,000,000 shares and initial grant of 300,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Opening Balance	July 1, 2010	1,000,000	300,000			300,000	1,000,000

Additional grant of 100,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Granted	July 20, 2010		100,000			400,000	1,000,000
						Increase in the # of options outstanding	

Cancellation of 50,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Cancelled	July 23, 2010				-50,000	350,000	1,000,000
						Decrease in the # of options outstanding	

Exercise of 200,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Exercised	August 9, 2010			200,000		150,000	800,000
Reduction of # of shares reserved and # of options O/S							

Exercise of 100,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Exercised	September 5, 2010			100,000		50,000	700,000
Reduction of # of shares reserved and # of options O/S							

Grant of 120,000 options:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Granted	December 5, 2010		120,000			170,000	700,000
Increase in the # of options outstanding							

Increase in plan maximum by 200,000 shares:

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Increase	December 20, 2010	200,000				170,000	900,000
Increase in the # of shares reserved							

2:1 stock split (TSX will automatically adjust):

Transaction	Date	Listed Securities	Granted	Exercised	Cancelled	Total O/S	Total Reserved
Split	December 29, 2010	900,000	170,000			340,000	1,800,000
Increase in # of shares reserved and # of options O/S							

Reporting for omnibus plans

Where an issuer adopts an omnibus plan (a plan that provides for the issuance of various awards such as options, RSUs, etc.), the maximum number of shares that will be reserved for issuance or made issuable under the plan must be disclosed in the circular on an aggregate basis. For administrative purposes, listed issuers may have to set up various plans in order to properly track awards granted under each. For example, where a listed issuer wants to grant stock options and to issue securities under a stock purchase plan, both plan types will be set by TSX and appear in TSX SecureFile™. An initial reserve will be allocated to each component of the omnibus plan. That initial allocation may be changed over time by transferring reserved securities from one component of the omnibus plan to the other.

Some issuers do set the number of securities that will be issued under each component of an omnibus plan. In such instance, the number of securities reserved under each component has to be consistent with the terms of the omnibus plan and it may not be possible to transfer reserves securities from one component of the omnibus plan to another.

Part V – Special Circumstances

Anti-dilution provisions

In cases where an arrangement does not provide for anti-dilution adjustments that should be made to awards issued and outstanding as well as to their terms, TSX will:

1. In the case of a stock split: multiply the number of securities listed and awards outstanding by the split factor;
2. In the case of a stock consolidation: divide the number of securities listed and awards outstanding by the consolidation factor; and
3. In the case of a special distribution to all security holders: allow a reduction to the exercise price of the award by an amount equal to the difference between the volume weighted average trading price for the five days preceding the ex-distribution date and commencing on the ex-distribution date.

Secondary security purchase plans administered by non-independent trustees

Most listed issuers with stock purchase plans mandate a trust company or similar organization to make the purchases on the market on behalf of plan participants.

A trustee or other purchasing agent for a stock purchase plan, or similar other plan in which employees of a listed issuer may participate, is deemed to be making an offer to acquire securities on behalf of the listed issuer where the trustee is deemed to be non-independent.

A trustee is deemed to be non-independent where:

1. the trustee (or one of the trustees) is an employee, director, associate or affiliate of the listed issuer; or
2. the listed issuer, directly or indirectly, has control over the time, price, amount and manner of purchases or the choice of the broker through which the purchases are to be made. The listed issuer is not considered to have control where the purchase is made on the specific instructions of the employee or security holder who will be the beneficial owner of the securities.

TSX should be contacted where there is uncertainty as to the independence of the trustee.

Where trustees are deemed to be non-independent, securities purchased for the benefit of a plan will count towards the limits on purchases of the listed issuer's securities in the context of a normal course issuer bid. If the listed issuer does not have a normal course issuer bid, securities purchased for the benefit of a plan will be subject to Subsections 629 (k) and (l) of the *TSX Company Manual*. In addition, in such instance, the purchases made by the non-independent trustees will be subject to the limits prescribed by the definition "normal course issuer bid" outlined in Section 628 of the *TSX Company Manual*.

Backdating of Stock Options

Listed issuers should refer to the Staff Notice 51-320 by the Canadian Securities Administrators ("CSA") dated September 8, 2006, which recommended to listed issuers that they assess their current policies, procedures and controls for option grants and equity-based awards to ensure that they comply with relevant stock exchange rules and securities legislation.

That notice can be found on the OSC website at:

http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20060908_51-320_not-options-backdating.pdf

The French version of this notice can be found on the website of the Autorité des marchés financiers, at:

<http://www.lautorite.qc.ca/userfiles/File/reglementation/valeurs-mobilières/Normes/A-3-36p.pdf>

As a result of the CSA Staff Notice, TSX issued Staff Notice 2007-0001 requesting that its listed issuers provide TSX with timely notification where it appears that stock options may have been improperly dated or priced, during or following any investigation (including internal, self-initiated reviews) of the listed issuer's stock option practices. Notification is similarly requested for investigations relating to other security based compensation arrangements where improper dating or pricing appears to have occurred.

TSX will keep all information regarding the investigation confidential, subject to any communication it is required to make to the relevant securities regulators. A listed issuer failing to provide notification to TSX should be aware that TSX may take such failure into account when determining appropriate measures for the listed issuer in order to ensure that it complies with TSX requirements.

Listed issuers are also reminded of their timely disclosure obligations under the TSX Timely Disclosure Policy. Listed issuers will need to assess whether or not a news release is required where it appears that stock options may have been improperly dated or priced, during or following any review or investigation, and upon any resolution with TSX or other securities regulators.

Plans of arrangements and reorganisations

Most plans provide for the treatment of options in case of a corporate event such as a trust converting into a corporate entity. In most cases, only housekeeping amendments would be required to provide for the new name of the entity or securities being listed, for example. Material amendments to a plan in the context of a reorganisation must be completed in compliance with the amendment provisions contained in the plan. In the event that such amendments cannot be implemented on the basis of the amendment provisions contained in the plan, TSX will require security holder approval for such amendment.

Where a plan is being amended and such amendment requires security holder approval, such approval must be obtained by way of a **separate resolution**. Accordingly, the resolution to approve the amendment to the plan cannot be part of the overall arrangement or similar resolution.

Appendix A – Section 613 (d) check list

Description	Plan Reference	Disclosure in the Circular
<p>Amendment</p> <p>Procedure for amending each arrangement, including specific disclosure as to whether security holder approval is required for certain amendments</p>		
<p>Assignability</p> <p>Assignability of awards and entitlements under each arrangement and conditions for such assignability</p>		
<p>Cessation</p> <p>Causes of cessation of entitlement under each arrangement, including the effect of an employee's termination for or without cause</p>		
<p>Eligibility</p> <p>Eligible participants under the arrangement (i.e. directors, officers and service providers)</p>		
<p>Exercise price</p> <p>Method of determining the exercise price for securities under each arrangement</p>		
<p>Financial assistance</p> <p>Financial assistance provided by the listed issuer to participants under each arrangement to facilitate the purchase of securities under the arrangement, including the terms of such assistance</p>		
<p>Insider participation limits</p> <p>Maximum percentage, if any, of securities under each arrangement available to insiders of the listed issuer</p>		
<p>Maximum issuable to one person</p> <p>Maximum number of securities, if any, any one person or company is entitled to receive under each arrangement and the percentage of the listed issuer's currently outstanding capital represented by these securities</p>		
<p>Purchase price</p> <p>Method of determining the purchase price for securities under security purchase arrangements, with specific disclosure as to whether the purchase price could be below the market price of the securities</p>		
<p>Ratification</p> <p>Entitlements under each arrangement previously granted but subject to ratification by security holders</p>		
<p>Securities issued and issuable</p> <p>Total number of securities issued and issuable under each arrangement and the percentage of the listed issuer's currently outstanding capital represented by such securities (fixed max) OR</p> <p>Total number of securities issued and issuable under each arrangement, as a percentage of the listed issuer's currently outstanding capital (rolling max)</p>		
<p>Securities under grants</p> <p>Total number of securities issuable under actual grants or awards made and the percentage of the listed issuer's currently outstanding capital represented by such securities</p>		
<p>Stock Appreciation Rights</p> <p>Ability for the listed issuer to transform a stock option into a stock appreciation right involving an issuance of securities from treasury and the formula for calculating market appreciation of stock appreciation rights</p>		
<p>Term</p> <p>Term provided in the arrangement for awards</p>		
<p>Vesting</p> <p>Vesting conditions in the arrangement to attached to awards</p>		
<p>Other information</p> <p>Such other material information as may be reasonably required by a security holder to approve the arrangements (e.g. black out extensions, change of control, etc.)</p>		
<p>Security holder resolution</p> <p>Detailed and precise</p>		
<p>Proxy instructions</p> <p>Shareholders must vote FOR or AGAINST (not FOR or ABSTAIN)</p>		



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