

**In force from June 1, 2005 to March 16, 2008**

## **REGULATION**

### **Q-17**

## **RESPECTING RESTRICTED SHARES**

### **Title I**

#### **Application and Interpretation**

1. An "*equity share*" is a share that carries the right to participate to an unlimited degree in earnings of the issuer and in its assets upon liquidation or winding up.

A "*common share*" is an equity share to which is attached a right to vote at least equal to the right to vote attached to the shares of any other class.

A "*restricted share*" is an equity share which does not carry a voting right at least equal to the right to vote attached to the shares for any other class.

A restricted share may take one of the following three forms:

- (1) the non-voting share: a restricted share which does not carry a voting right except in certain limited circumstances;



- (2) the restricted voting share: a restricted share which carries a voting right subject to some limit or restrictions on the number or the percentage of voting rights that may be exercised by a person or a group of persons;
- (3) the subordinate voting share: a restricted share which carries a voting right that is lesser than the voting right carried by a share of another class.

2. The *Autorité des marchés financiers* may refuse to recognize as common shares any shares which, while complying with a literal application of the definition, do not guarantee their holder the full rights ordinarily attached to such shares, because of the conditions governing them or the rights conferred on some other class of shares.

In particular, it may refuse to recognize as common shares any shares whose issue has been preceded, or may be followed by the issue of shares conferring voting rights for consideration substantially lower per voting right.

## **Title II**

### **Designation of Shares**

3. In any document drawn up by an issuer whose securities are traded in Canada on an exchange or the over-the-counter markets equity shares may be designated as common shares only if they are common shares within the meaning of sections 1 and 2, subject to the imperative provisions of the governing corporate law.

Also, restricted shares must be designated either as restricted shares or as non-voting shares, restricted voting shares or subordinate voting



shares, as the can may be.

### **Title III**

## **Distribution of Securities to the Public**

4. At the time of a distribution of equity shares or securities convertible into equity shares, the Authority will not issue a receipt for the prospectus or preliminary prospectus unless the designation of the shares is in accordance with section 3.

5. In the case of a distribution under a prospectus exemption for a security exchange take-over bid, an amalgamation or reorganization, the exemption cannot apply unless the designation of the shares is in accordance with section 3.

The Authority may object to the distribution of rights or warrants convertible into equity shares if their designation is not in accordance with section 3.

6. A prospectus drawn up with a view to a distribution of restricted shares must mention clearly on the title page that the shares in question are restricted shares; if applicable. It must also indicate that the shares may not be tendered in any take-over bid to purchase common or other voting shares.

The summary shall include a summary of the voting rights attached to the shares being offered and, as the case may be, of the voting rights on any class of securities that are greater on a per share basis than those attached to the shares being offered; it must also indicate the total percentage of voting rights attached to the class of shares being offered.



7. The prospectus must give a detailed description of the rights attached to the shares being distributed (right to vote, to participate in a take-over bid, etc.), comparing them, if need be, with the rights attached to other classes of shares.

8. The financial statements presented in the prospectus must respect the rule prescribed in section 17.

9. The offering memorandum drawn up with a view to a distribution of restricted shares is also subject to sections 6 to 8.

10. An issuer must obtain the approval of minority shareholders in order to:

- (1) create, either by amending its constating documents or by a resolution of its board of directors, a class of shares which are restricted shares or reduce another category of shares to the rank of restricted shares;
- (2) effect a reorganization or amalgamation which converts any outstanding shares into restricted shares;
- (3) distribute restricted shares to holders of unrestricted equity shares, such as by way of a stock dividend, if the transaction has the effect of changing outstanding shares into restricted shares.

11. If there is already a class of restricted shares outstanding before one of the transaction covered in section 10, which leads to the conversion of shares into restricted shares, the issuer must obtain the approval of the minority holders of the original restricted shares, in addition to the approval that may be required under section 10.



12. Shareholders other than affiliated companies and persons who, alone or in concert with others, effectively control the company, are considered to be minority shareholders. Approval will be decided by a majority of the votes cast by minority shareholders at a shareholders' meeting.

## **Title IV**

### **Information on Outstanding Securities**

13. The issuer of restricted shares, if he is a reporting issuer shall invite the holders of such shares to any shareholders' meeting and recognize their right to speak at such, meeting.

In the event of a new issue, the conditions governing the class shall provide that the holders of restricted shares have the right to be invited to shareholders meetings and to speak at such meetings.

14. The circular drawn up on the occasion of a shareholders' meeting called to decide on the creation of a class of restricted shares or another class of shares which would reduce another class of shares to the rank of restricted shares, is subject, *mutatis mutandis*, to sections 6 and 7.

15. The circular drawn up with a view to the shareholders' meeting shall give the following indications, to the extent that these can be established without exorbitant cost:

- (1) the name of each person making up the majority of shareholders and the number of securities over which they exercise control;
- (2) the number of voting rights attached to securities that may not



be counted for the purpose of minority approval.

16. Repealed.

17. In the financial statement, whether or not they are audited, restricted shares shall appear as a separate category.

## **Title V Take-Over Bids and Issuer Bids**

18. The circular drawn up on the occasion of a security exchange take-over bid offering restricted shares is subject to sections 6 and 7.

19. The regulations governing take-over bids and issuer bids also apply to non-voting restricted shares, except that the dominant position is defined solely in terms of the securities in the same class.

## **Title VI Dealers and Advisors**

20. In the confirmations and statements transmitted to clients, the registered dealer or advisor shall designate shares in accordance with section 3, subject to depletion of forms held in stock, when this Policy Statement comes into force.

Where data processing restrictions so dictate, the designation may be indicated by an abbreviation, provided the form gives an explanation of the abbreviation.

21. The registered dealer or advisor shall designate shares in



accordance with section 3 in all documents drawn up for clients respecting securities traded in Canada on an exchange or the over-the-counter market.

22. A dealer who holds restricted shares registered in his name without really belonging to him must forward to the beneficial owner of such shares all the documents, received in their regard, in accordance with the conditions provided for in section 165 of the Act.

## **Title VII Final Provisions**

23. This Policy Statement replaces Decision no 6539 of November 19, 1981 amended by Decision n° 6690 of June 2, 1982, the Notice of March 2, 1984, and Decision n° 7196 of October 19, 1984.

24. Repealed.

Décision n° 7423 -- 12 juin 1985  
Bulletin hebdomadaire : 1985-03-29 Vol. XVI n° 13

Décision 2001-C-0264 -- 12 juin 2001  
Bulletin hebdomadaire : 2001-06-29, Vol. XXXII n° 26

Modifications :

Décision n° 7915A -- 20 août 1986

Décision n° 88-C-0261 -- 29 avril 1988



Bulletin hebdomadaire : 1988-05-06 Vol. XIX n° 19

Décision 2001-C-0265 -- 12 juin 2001  
Bulletin hebdomadaire : 2001-06-29, Vol. XXXII n° 26

Décision 2005-PDG-0123 -- 9 mai 2005  
Bulletin de l'Autorité : 2005-06-03, Vol. 2 n° 22  
M.O. 2005-04, 19 May 2005, G.O. June 1, 2005

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