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**COMPANION POLICY 55-501CP TO
NEW BRUNSWICK SECURITIES COMMISSION LOCAL RULE 55-501**

***Exemption from Certain Disclosure Requirements for Persons in a Special
Relationship with a Reporting Issuer***

PART 1 – INTRODUCTION

1.1 Introduction

As an incentive to encourage timely disclosure and fair access by all investors to material trading information, section 147 of the *Act* contains a specific prohibition against any person or company in a special relationship with a reporting issuer trading in securities of that issuer with knowledge of undisclosed material information. Not only is timely disclosure of material changes necessary, but prior to timely disclosure (for example, during the dissemination period) trading with and even discussion of material information must be restricted to ensure that people who have access to the information do not trade or assist others in trading to the disadvantage of investors generally.

1.2 Section 147

Specifically, section 147 of the *Act* prohibits three things: first, special relationship persons may not buy or sell securities of the reporting issuer with knowledge of any undisclosed material fact or material change; second, such persons, as well as the reporting issuer itself, are prohibited from passing on such information to people other than in the necessary course of business; and third, a person or company that proposes to make a take-over bid for securities of the reporting issuer, to become a party to a business combination with the reporting issuer or to acquire a substantial portion of the property of the reporting issuer, is prohibited from passing on any undisclosed material fact or material change with respect to the

reporting issuer except in the necessary course of business to effect the take-over bid, business combination or acquisition.

PART 2 – EXEMPTIONS

2.1 Exemption

Local Rule 55-501 provides exemption from subsection 147(2) of the *Act*. The principal exemption protects a person or company who proves (i), that no director, officer, partner, employee or agent of the person or company who made or participated in making the decision to purchase or sell had actual knowledge of the material fact or material change in question and (ii), that no advice was given with respect to the purchase or sale to the director, officer, partner, employee or agent who made or participated in making the decision by a director, partner, officer, employee or agent of the person or company who had actual knowledge of the material fact or material change in question.

2.2 Policies and Procedures

To qualify for the exemption under section 2.1 of Local Rule 55-501 the Commission considers it relevant whether and to what extent the person has implemented and maintained reasonable policies and procedures to prevent contraventions of subsection 147(2) of the *Act* by persons making or influencing investment decisions on its behalf and to prevent transmission of information concerning a material fact or material change contrary to subsection 147(4) or (5) of the *Act*.