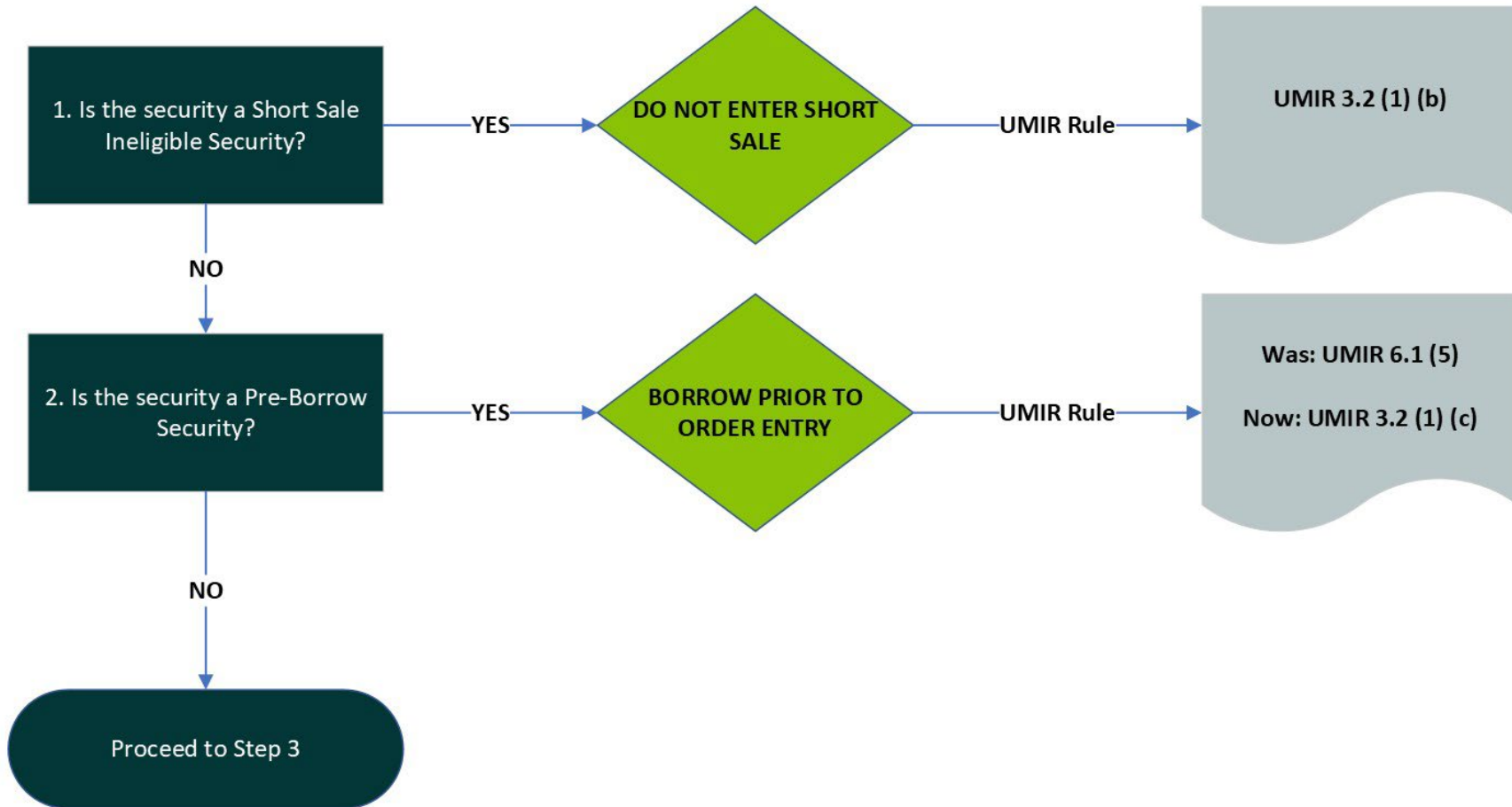


Steps to Consider Before Entering an Order to Sell Short – Steps 1 and 2

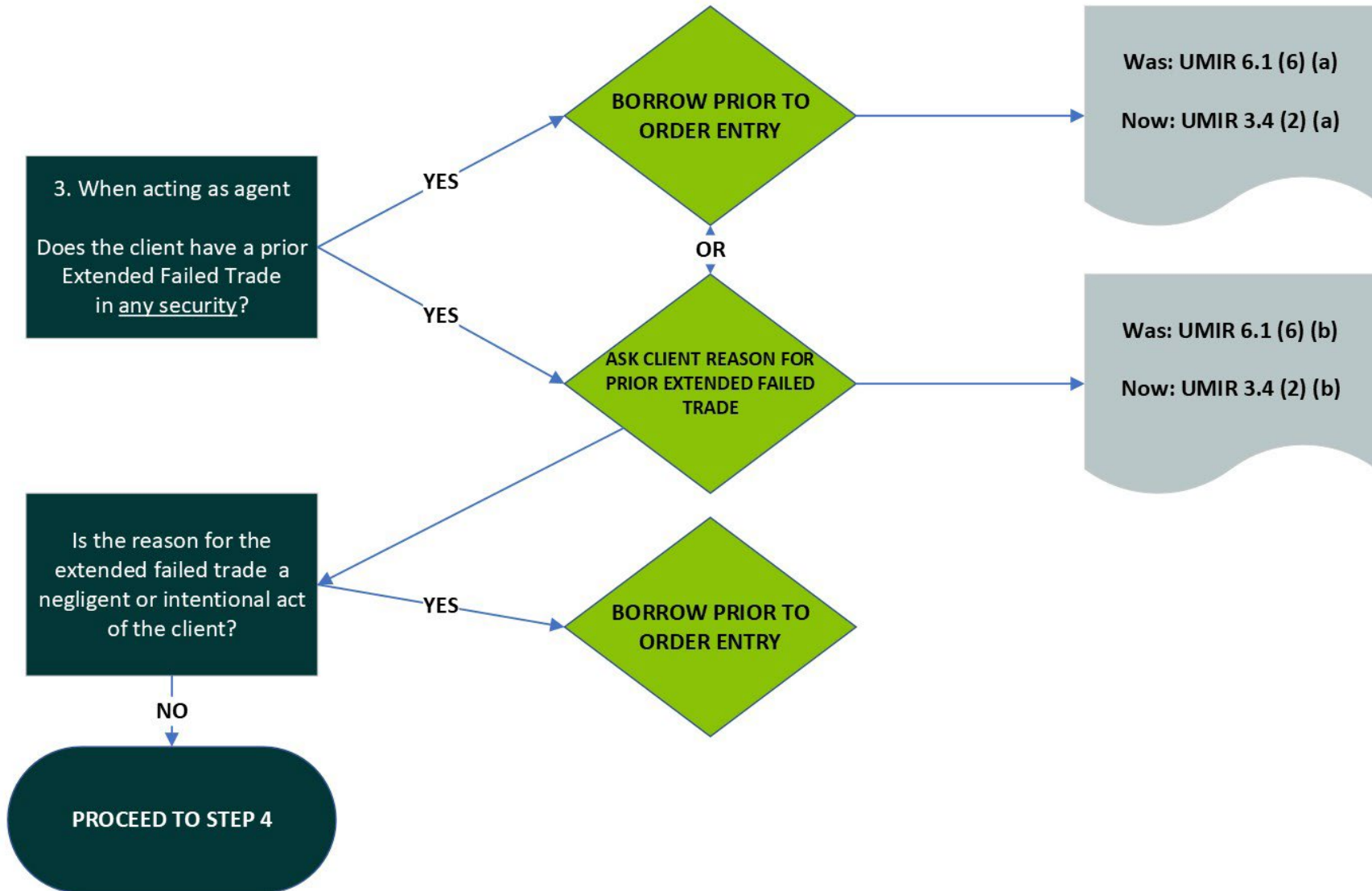


The first steps above are to be followed prior to the entry of any order to sell short.

1. Determine whether the security is a Short Sale Ineligible Security as defined in UMIR 1.1. If the answer is **YES**, you are not permitted to enter the short sale pursuant to UMIR 3.2(1)(b).
2. If the answer is **NO**, the second question that must be addressed is whether the security is a Pre-Borrow Security as defined in UMIR 1.1. If the answer to Step 2 is **YES**, you are required to borrow the security prior to order entry pursuant to UMIR 3.2(1)(c).

If the answer is **NO** to both questions above, you may proceed to Step 3.

Step 3(a) – When Acting as Agent



Once you have satisfied Steps 1 and 2, Step 3 (a) above is the process that must be followed prior to the entry of any order to sell short, specifically when you are **acting as agent**.

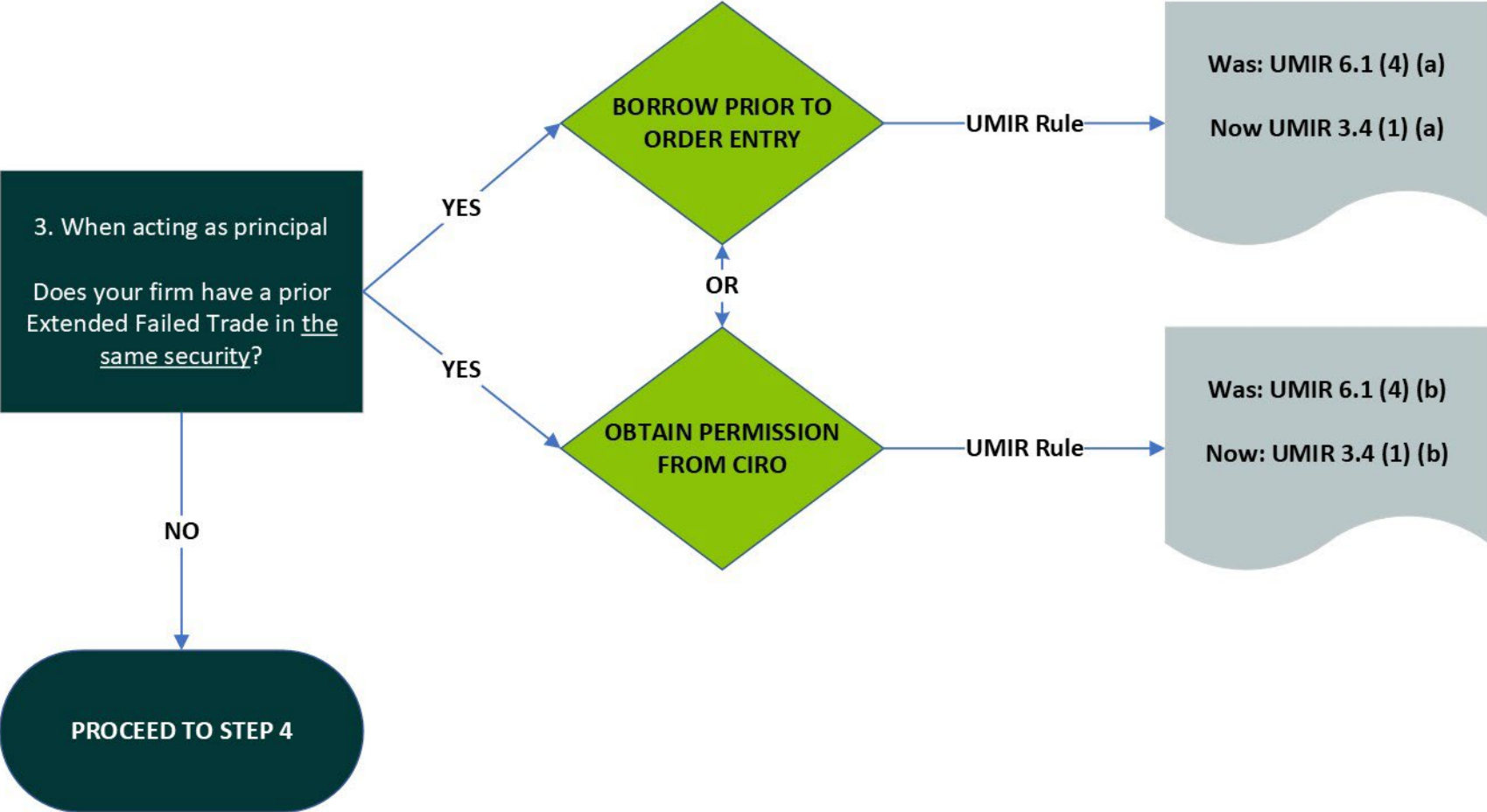
3(a) - Does the client have a prior Extended Failed Trade as described in UMIR 7.10 in **any security**? If the answer is **YES**, you must either:

- Borrow the security prior to order entry pursuant to UMIR 3.4(2)(a), or
- Ask the client the reason for the prior Extended Failed Trade pursuant to UMIR 3.4(2)(b).

If you determine that the reason for the prior Extended Failed Trade **IS** a negligent or intentional act of the client, you must borrow the security prior to order entry.

If the answer to question 3(a) above is **NO**, or if you are satisfied that the reason for the Extended Failed Trade is **NOT** a negligent or intentional act of the client, you may proceed to Step 4.

Step 3 (b) – When Acting as Principal



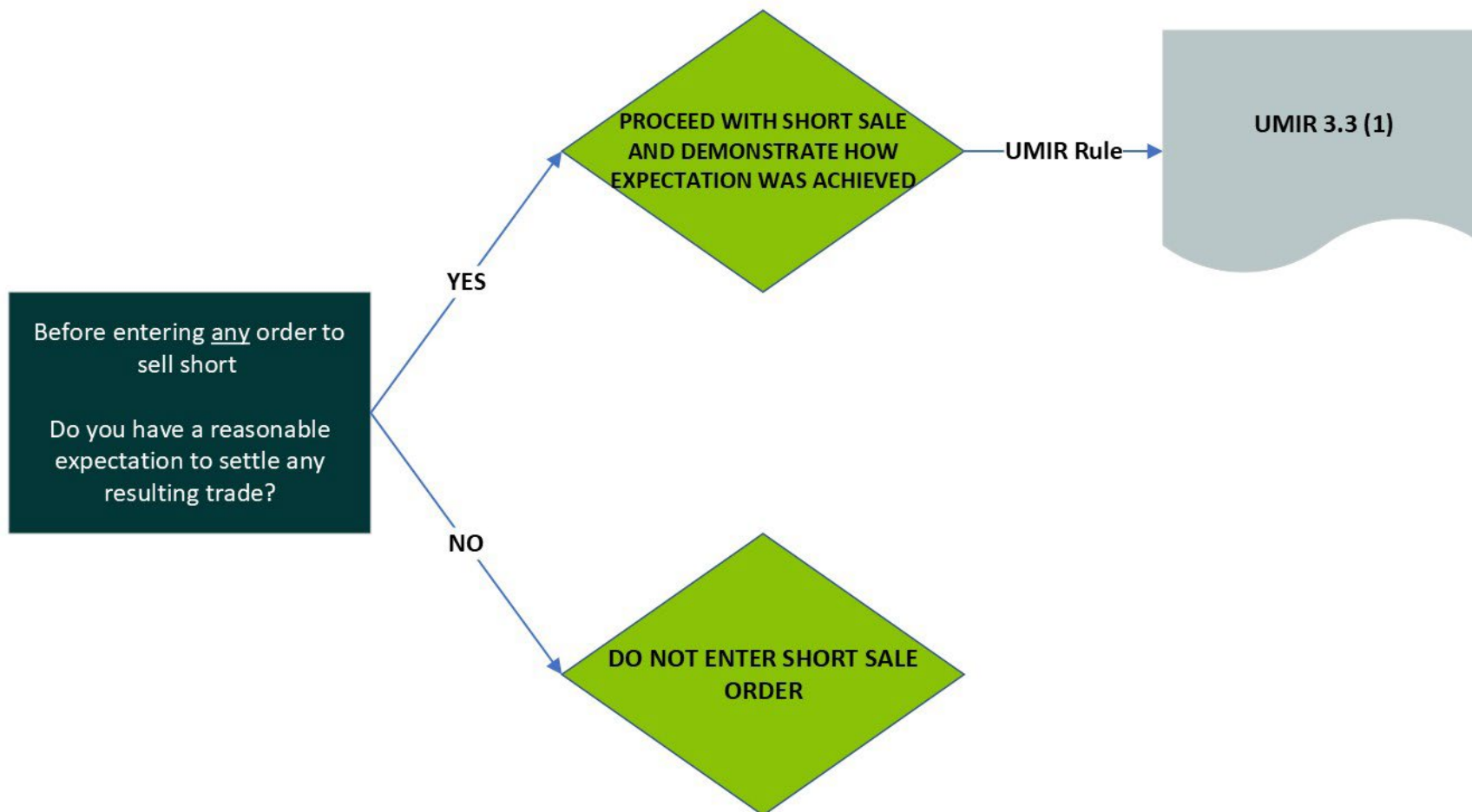
Once you have satisfied Steps 1 and 2, Step 3 (b) above is the process that must be followed prior to the entry of any order to sell short, specifically when you are **acting as principal**.

3(b) - Does your firm have a prior Extended Failed Trade as described in UMIR 7.10 in **the same security**? If the answer is **YES**, you must either:

- Borrow the security prior to order entry pursuant to UMIR 3.4(1)(a), or
- Obtain permission from CIRO to enter the order to sell short pursuant to UMIR 3.4(1)(b).

If the answer to question 3(b) above is **NO**, you may proceed to Step 4.

Step 4 – Reasonable Expectation to Settle



Once you have satisfied Steps 1, 2 and 3 (a) or (b), Step 4 above is the final step in the process that must be followed prior to the entry of any order to sell short.

4. Before entering any order to sell short, you must determine whether you have a reasonable expectation to settle any resulting trade on the date contemplated on the execution of the trade.

If the answer is **YES**, you may proceed with the short sale, and be prepared to demonstrate how the reasonable expectation to settle was achieved pursuant to UMIR 3.3(1).

If the answer is **NO**, you are not permitted to enter the short sale.