

AMENDED AND RESTATED TQM PIPELINE TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT was made as of the 29th day of January, 2015 and is amended and restated as of the 1st day of October, 2015.

BETWEEN:

CIBC TRUST CORPORATION, a licensed trust company governed by the laws of Canada with a place of business located at 301 - 8th Avenue S.W. - 3rd Floor - Hollingsworth Building, Calgary Alberta, T2P 1C5

(the “**Initial Trustee**”)

AND:

TRANS QUÉBEC & MARITIMES PIPELINE INC., a corporation governed by the laws of Canada with a place of business located at 450 - 1st Street, S.W., Calgary Alberta, T2P 5H1

(the “**Settlor**”)

WHEREAS Trans Québec & Maritimes Pipeline Inc. (“**TQM Inc.**”) holds the regulatory authorization allowing it to operate the pipeline described in Schedule “A” to this Agreement (the “**Pipeline**”) as mandatory of TQM Pipeline and Company, Limited Partnership of which 9265-0860 Québec Inc. and TransCanada PipeLines Limited are general partners;

AND WHEREAS TQM Inc. is subject to regulation by the National Energy Board under the *National Energy Board Act* (Canada) in respect of the Pipeline;

AND WHEREAS on 26 May 2009 the National Energy Board issued the RH-2-2008 Reasons for Decision, which requires each person holding an authorization to operate a pipeline under the *National Energy Board Act* (Canada) or the *Canada Oil and Gas Operations Act* (Canada) to file a proposed process and mechanism to set aside funds to pay for the reclamation obligations in respect of the sites in Canada used for the operation of that pipeline;

AND WHEREAS on 19 April 2013, the National Energy Board issued the MH-001-2013 Hearing Order, establishing how it would consider each set-aside mechanism proposed;

AND WHEREAS on 5 May 2014 the National Energy Board ordered TQM Inc. to establish the trust governed by this agreement for the purpose of setting aside funds to pay for the reclamation obligations of TQM Inc. for the operation of the Pipeline;

AND WHEREAS in satisfaction of the requirements imposed by the National Energy Board, TQM Inc. established this irrevocable trust for the purpose of setting aside funds to pay for the reclamation obligations in respect of the site in Canada used for the operation of the Pipeline and transferred to the Trustee the Settlement Property set forth herein to be held by it in trust and subject to the terms and conditions declared and contained herein;

AND WHEREAS the trust established hereunder shall be maintained for the sole purpose of paying the reclamation obligations in respect of the Pipeline;

- (f) “**assets**” includes cash, securities, estates, property and rights of any kind whatsoever and any interests therein;
- (g) “**Beneficiary**” or “**Beneficiaries**” means a Person, acting in its own capacity or acting on behalf of a partnership, that has Reclamation Obligations in respect of the Site, including the Company and TQM Pipeline and Company, Limited Partnership;
- (h) “**Business Continuity Plan**” means a plan or programme to ensure the continued availability of essential services, operations and programs, including all applicable resources, which plans are activated during, or immediately after, an emergency or disruption and are aimed at permitting the rapid and cost effective resumption of critical functions;
- (i) “**Business Day**” means any day except a Saturday, Sunday or a statutory holiday in the Province of Alberta;
- (i.i) “**Clearinghouse**” means an institution that settles mutual indebtedness between a number of financial or market organizations, and is usually financed by membership subscriptions and other dues of the market;
- (j) “**Company**” means the person holding the regulatory authorization(s) to operate the Pipeline at the relevant time, whether on its own behalf or on behalf of one or more Persons, and for greater certainty, the initial Company shall be TQM Inc.;
- (k) “**Company’s Notice of Termination**” has the meaning set out in section 3.04(a) of this Agreement;
- (l) “**Custodian**” means a corporate institution, appointed by the Trustee which has title to, or Trustee-authorized possession of, Fund assets with the obligation to hold secure those assets, and to deal with them as authorized by the Trustee;
- (m) “**Deactivate**” and “**Deactivation**” has the meaning set out in the definition of “deactivate” in the *National Energy Board Onshore Pipeline Regulations* (Canada), as amended from time to time;
- (n) “**Decommission**” and “**Decommissioning**” has the meaning set out in the definition of “decommission” set out in the *National Energy Board Onshore Pipeline Regulations* (Canada), as amended from time to time;
- (o) “**Default**” has the meaning set out in section 4.05(a)(ii) of this Agreement;
- (o.1) “**Depository**” means a financial corporation that is officially authorized to receive securities, commonly financial instruments in the form of stocks and bonds, and to hold them secure for the depositor;
- (p) “**Fund**” means the Settlement Property and all other assets which are now or which at any time during the continuance of the Trust may be contributed, assigned, transferred or appointed to the Trustee to be held upon the trusts hereof, together with all interest or return from investing such assets, and all other assets

and all costs incurred and consequent thereon;

- (z) “**Settlement Property**” means the amount of \$100.00 given and transferred to the Trustee by the Settlor as described in section 2.02(a);
- (aa) “**Settlor**” shall have the meaning ascribed to such term in the recitals;
- (bb) “**Site**” means any location or locations in Canada used for the operation of the Pipeline;
- (cc) “**Standard of Care**” has the meaning set out in section 4.09 of this Agreement;
- (dd) “**Statement of Investment Policies and Procedures**” means a written statement of investment policies and procedures approved by the Company in respect of the Fund’s portfolio of investments which sets out broad policies and procedures for the Qualified Investments of the Fund, which may include: categories of investments; diversification of the investment portfolio; asset mix and rate of return expectations; liquidity of investments; the retention or delegation of voting rights acquired through Fund investments; and the method of, and basis for, the valuation of investments;
- (ee) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time;
- (ff) “**Tribunal**” means the National Energy Board, a tribunal established under the NEB Act or any successor administrative body having authority to regulate the Company in respect of the operation and abandonment of the Pipeline;
- (gg) “**Trust**” means the relationship between the Trustee and a Beneficiary and Beneficiaries, including the obligations of the Trustee towards the Beneficiary or Beneficiaries both personal and with regard to the Fund, and the corresponding rights of a Beneficiary, whether those obligations and rights are created at law or by the terms of this Agreement; and in the context of this trust instrument, means a discretionary trust for the purpose of reclamation in favour of the one or several Beneficiaries that have Reclamation Obligations with regard to the Site, and also of the Orphan Pipeline Fund, and which shall be called the “**TQM Pipeline Trust**”; and
- (hh) “**Trustee**” means the Initial Trustee or any successor Trustee pursuant to sections 3.03 or 3.04.

1.02 Interpretation

- (a) In this Agreement, words importing the singular shall include plural and vice versa and words importing gender include all genders.
- (b) All references to sections and schedules are to sections and schedules to, and forming part of, this Agreement.

- (d) The Trust hereby created shall be irrevocable and the Settlor, Company and Beneficiaries are divested of any power whatsoever to revoke this Trust or to modify its terms or to amend this Agreement in any respect, except in accordance with Article 6.
- (e) The parties hereto acknowledge that the Company shall contribute the Annual Contribution Amount to the Trust as directed by the Tribunal. The Trustee shall have no obligation to ensure that the Annual Contribution Amount is remitted. However, the Trustee may notify the Tribunal in writing if it reasonably believes that one or more contributions are due and not paid.

2.03 The Trust: Discretionary as to two or more beneficiaries

The Fund is held by the Trustee on trust for one or several Beneficiaries, the Trustee having a power to appoint at discretion, from among the Beneficiaries of the Fund responding at the time of payment to the then existing Reclamation Obligations. The Trustee may make payment to or for the benefit of the appointed Beneficiary, that is, either to the Beneficiary, or to a person or persons named by the Tribunal to conduct work in the reclaiming of the Site. Before making any discretionary payment the Trustee must receive the approval of the Tribunal, which approval will cover both the reclamation need being addressed and that person or those persons that are instructed to carry out the reclamation.

2.04 The Trust: Surplus Funds

If property remains in the Fund after all Reclamation Obligations of the Beneficiaries are discharged, then the Trustee, with the approval of the Tribunal, may distribute the Fund or any part thereof among any of the Beneficiaries and Orphan Pipeline Fund, or, where such is the case, a single Beneficiary and the said Orphan Pipeline Fund, as the Trustee in its sole discretion sees fit.

2.05 The Trust: Duration of the Trust

This Agreement shall have no specific term but shall commence on the date first mentioned above and shall continue until terminated in writing by the Company, with the approval of the Tribunal.

In the event that

- (a) the Trust ceases to qualify as a Qualifying Environmental Trust, in circumstances other than those contemplated by section 2.04, or
- (b) the Trustee is of the view that the period permitted by the perpetuity legislation of Alberta may expire in not more than five years,

then, as soon as practicable,

- (c) if the Company is not in Default, the Trustee shall pay the Fund to the Company, and the Company covenants upon receipt of the Fund, to settle, at once, a new irrevocable trust that qualifies as a QET upon terms and conditions approved by the Tribunal (the "**New Trust**"), and to contribute to the New Trust an amount equal to the value of the entirety of the Fund, and

3.04 Removal

- (a) If the Company delivers a written notice (“**Company’s Notice of Termination**”) to the Trustee specifying the intent to terminate the appointment of the Trustee hereunder for any reason, such appointment shall terminate on the thirtieth (30th) day following the date that the Company’s Notice of Termination is issued.
- (b) The Trustee shall cease to hold the office of Trustee if convicted of an offence involving dishonest conduct, becomes insolvent with the appointment of a receiver or is in bankruptcy proceedings, or becomes a corporation that is dissolved or in liquidation.
- (c) If the Trustee ceases to hold office pursuant to 3.04(a) and (b), with the approval of the Tribunal, the Company shall appoint a successor Trustee meeting the requirements of section 3.02.

3.05 Obligations upon Resignation or Removal

Following the resignation or removal of the Trustee and subject to its rights hereunder, the Trustee:

- (a) shall continue to hold in trust the: (i) Fund; and (ii) all documents, information, and books and records created, received or maintained by the Trustee which relate to or arise or have arisen in connection with the performance by the Trustee of its duties hereunder (collectively with the Fund, the “**Fund Property**”);
- (b) upon receipt of payment for any outstanding amount for its services and expenses then unpaid, shall transfer, deliver and pay over to the successor trustee, the Fund and all Fund Property on deposit with or in the possession of the Trustee; and
- (c) shall have no duties, responsibilities or liability with respect to the acts or omissions of the successor trustee.

The successor Trustee shall, in its capacity as Trustee, take title to the Fund and possession of the Fund Property, secure the same and receive all accretions to the Fund (including contributions), and shall have no duties, responsibilities or liability with respect to the acts or omissions of any predecessor Trustee and shall hold and invest the Fund and be subject to all duties applicable to, and have all powers of, the Trustee under this Agreement.

ARTICLE 4 THE DUTIES AND POWERS OF THE TRUSTEE

4.01 Responsibilities of the Trustee

The powers, duties and obligations of the Trustee shall be determined solely by Applicable Law and the provisions of this Agreement, and accordingly, the Trustee shall be responsible only for the performance of such powers, duties and obligations.

4.05 Release of Funds to a Beneficiary

- (a) The Trustee may release monies from the Fund to a Beneficiary to pay for the Reclamation Obligations on presentation by the Beneficiary of the following to the Trustee:
 - (i) a written direction or an order from the Tribunal issued in the name of the Beneficiary confirming the amount to be disbursed from the Fund and the timing of the disbursement; and
 - (ii) a certificate of an officer of the Beneficiary stating that the Beneficiary has not (1) ceased to carry on business; (2) become insolvent or committed any act of bankruptcy; (3) filed a petition for bankruptcy, or suffered a petition for bankruptcy being filed, against it; (4) made any proposal to or sought arrangement with its creditors; (5) made an assignment for the benefit of creditors; (6) appointed or suffered the appointment of a receiver in respect of its property and/or assets; or (7) had or suffered proceedings being commenced (voluntarily or involuntarily) for the liquidation, dissolution or winding up of itself (any one or more of the foregoing events, a “**Default**”), and that to the officer’s knowledge, the Beneficiary will not suffer Default within the one (1) year period after the certificate is issued.

4.06 Release of Funds to a Third Party

The Trustee may release funds that are held in accordance with this Agreement to any third party for the purposes of funding the discharge of the Reclamation Obligations of a Beneficiary on presentation of a written direction or an order from the Tribunal issued in the name of the third party, with such direction or order confirming the amount to be disbursed from the Fund, and the timing of the disbursement. On receipt of the written direction or order, the Trustee may release the requested funds to the third party set out in the order or direction of the Tribunal.

4.07 Duties of the Trustee Regarding Release of the Requested Funds

- (a) Except as otherwise expressly provided herein, the Trustee shall only draw on the Fund for the purpose of paying or reimbursing payment of the costs incurred to discharge Reclamation Obligations as and when required by section 4.05 and 4.06 and, then, only in accordance with the applicable direction or order from the Tribunal.
- (b) The Trustee may consult with the Company prior to calling in or redeeming Fund investments for the purpose of making a payment in accordance with sections 4.05 or 4.06.

4.08 Books, Records and Accounts

- (a) The Trustee shall maintain proper and accurate books, records and accounts of all transactions affected or controlled by the Trustee hereunder including the receipt,

4.09 Standard of Care

- (a) In the exercise and discharge of its obligations and duties at law or hereunder, the Trustee shall:
 - (i) act honestly and in good faith;
 - (ii) exercise that degree of care, diligence and skill that a reasonably prudent institutional trustee acting in like capacity would exercise in comparable circumstances; and
 - (iii) comply with the terms of this Agreement and Applicable Law, rules and regulations in respect of the Trustee's dealing with, or handling of the Fund pursuant to the terms hereof(collectively, the "**Standard of Care**").
- (b) The Trustee shall be responsible for loss occasioned by reason of the failure of the Trustee to comply with its obligations at law or duties under this Trust, or its negligence or willful misconduct on the part of itself, its employees, officers or agents.

4.10 Appointment of Advisors

- (a) The Trustee shall not enter into, amend, terminate or waive performance under contracts or agreements for service with a third party, including investment management, Custodian and advisory entities, unless the Trustee has first consulted with the Company in regard thereto.
- (b) Subject to the Standard of Care, the Trustee may appoint or retain such legal counsel, accountants, financial advisors, appraisers or other experts or advisors as may be reasonably required for the purpose of discharging its duties or exercising its powers hereunder and shall not be responsible for any loss occasioned by, or misconduct on the part of, any of them. The Trustee may pay out of the Fund reasonable remuneration for all services performed for it by such advisors in the discharge of its duties or exercise of its powers hereunder without taxation for costs or fees of any counsel, solicitor or attorney, including solicitor fees on a solicitor and own client basis. The Trustee shall be responsible for holding such advisors to a commercially reasonable standard of care under their contract of appointment. Where such advisor has caused a loss to the Trust, the Trustee agrees, upon written request by the Company that the Trustee will pursue commercially reasonable remedies on behalf of the Trust against the advisor. If the Company has requested the Trustee to take such action and the Trustee is not doing so promptly or is not diligently pursuing such action, the Company may pursue any remedy against such advisor in the name of, and on behalf of, the Trust, but no property from the Fund may be used for the purposes of the Company pursuing such a remedy.

4.12 Acceptance of Obligations

The Trustee hereby accepts the covenants and obligations set out in this Agreement and agrees to discharge the same upon the terms and conditions herein set forth, and to hold and exercise the rights, privileges and benefits conferred upon it by this Agreement for the purposes of the Trust.

4.13 Decision to Act or Not Act

The Trustee shall retain the right not to act and shall not be held liable for refusing to act unless it has received clear documentation which complies with the terms of this Agreement. The Trustee shall not retain the right not to act and shall be held liable for refusing to act where documentation which complies with the terms of this Agreement requires the exercise of any discretion or independent judgment on the part of the Trustee.

4.14 Trustee Not to Expend Own Funds or Borrow

None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee shall not, at any time, loan funds to, or borrow any funds for or on behalf of, the Trust.

4.15 Other Powers and Duties of the Trustee

For greater certainty, subject to the Standard of Care in administering the Trust and investing the Fund, the Trustee shall be specifically authorized to:

- (a) **Appoint Custodians.** Appoint or cause to be appointed domestic Custodians, including Affiliates of the Trustee, as to part or all of the Fund Property, provided the Trustee shall not be responsible or liable for any losses or damages suffered by the Trust arising as a result of the insolvency of any such Custodian, except to the extent the Trustee failed to adhere to the Standard of Care in the selection, appointment, supervision or continued retention of such Custodian. The Trustee shall be responsible for holding its Custodians to a commercially reasonable standard of care under their contract of appointment. Upon request by the Company, the Trustee shall provide the Company with a list of its current Custodians. Where a Custodian has caused a loss to the Trust, the Trustee agrees, upon written request by the Company that the Trustee will pursue commercially reasonable remedies on behalf of the Trust against any such Custodian. If the Company has requested the Trustee to take such action and the Trustee is not doing so promptly or is not diligently pursuing such action, the Beneficiaries may pursue any remedy against such Custodian in the name of, and on behalf of, the Trust for the benefit of the Trust, but no property from the Fund may be used for the purposes of the Company pursuing such a remedy.
- (b) **Hold Investments.** Hold, or cause to be held, the Fund Property in nominee name, in bearer form, or in book entry form, in a Clearinghouse corporation or in a

shares or cash, the Trustee may elect to receive shares or cash as it determines in its sole discretion.

- (i) **Redeem Securities.** Present for redemption or exchange any Fund Property which may be called, redeemed, withdrawn or retired.
- (j) **Execute Instruments.** Make, execute and deliver any and all documents, agreements or other instruments as are necessary or desirable for the accomplishment of any of the powers and duties in this Agreement.
- (k) **Determine Value.** Determine the fair market value of the Fund Property not less frequently than quarterly and as at December 31 of each fiscal year, in accordance with methods consistently followed and uniformly applied and in accordance with the Statement of Investment Policies and Procedures.
- (l) **Power to do any Necessary Act.** Generally take all action, whether or not expressly authorized, which the Trustee may deem necessary or desirable, acting in accordance with the Standard of Care, for the fulfillment of its duties hereunder.
- (m) **Self Dealing.** Deal with any Person which is an Affiliate of the Trustee, in which event neither the Trustee nor the Affiliate shall be accountable for any profit earned in the course of such dealing, provided that when the Trustee directly retains or appoints a Person at the expense of the Trust who is an Affiliate, the terms of such appointment, retainer, or other dealing shall be on a commercially reasonable basis and consistent with the terms and conditions of this Agreement, including the Standard of Care.

ARTICLE 5 REMUNERATION AND EXPENSES OF THE TRUSTEE

5.01 Trustee's Fees and Expenses of the Trustee

- (a) The Trustee shall be paid out of the Fund, as compensation for acting as Trustee, the fees, reimbursement and other compensation in the amount and manner as determined by the Company and the Trustee.
- (b) Such remuneration and all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration of its duties hereunder (including legal fees and expenses on a solicitor and own client basis, investment expenses, including management and advisory expenses, and the reasonable compensation and disbursements of all other advisers, agents or experts employed or retained pursuant to this Agreement) shall be paid from the Fund.
- (c) The Trustee, and every delegate of the Trustee is to ensure that every expense item about to be incurred in the discharge of a Trustee duty or the exercise of a Trustee power is necessarily incurred and is demonstratively reasonable in cost, the intent of such prudence being to maximize the Fund resources that are available for Reclamation Obligations.

**ARTICLE 6
AMENDMENT AND TERMINATION OF THE TRUST**

6.01 Amendment

The Trustee may, by agreement with the Company, amend the terms of the Trust, including the terms and schedules of this Agreement. No amendment to the terms of the Trust or the terms of this Agreement will be binding or effective unless the Tribunal approves the amendment.

6.02 Trust Irrevocable

The Trust and the schedules hereto, which are hereby incorporated into the Trust, may not be revoked by the Company, Beneficiaries or any of them, or the Trustee, except that the Tribunal in its total discretion may direct a termination of the Trust, and order such successive arrangements as are appropriate.

6.03 Sale of the Pipeline or a Portion Thereof

For greater certainty, assets from the Fund may be transferred to another QET for the purpose of funding Reclamation Obligations in accordance with this Agreement upon the Tribunal's direction or order, including any such direction or order that is made part of the Tribunal's direction or order approving the sale, assignment, transfer or other disposition of the Pipeline or a portion thereof from a Beneficiary to another person pursuant to paragraphs 74(1)(a), (b) and (c) of the NEB Act.

**ARTICLE 7
NOTICES**

7.01 Acting on Written Notice

The Trustee shall not incur liability for acting in reliance on any written notice, request, consent, certificate, receipt, affidavit, statutory declaration or other paper or document furnished to it by or on behalf of any Person authorized to do so by the terms of this Agreement, not only as to its due execution and the validity and effectiveness of its provisions but also as to the verity of any information therein contained, provided the Trustee's reliance thereon is in accordance with the Standard of Care.

7.02 Mode of Giving Notice

Any notice or other document required to be given or delivered hereunder will be valid and effective if given by registered letter (postage prepaid), courier, by personal delivery, by email or by fax addressed by the party to whom such notice is to be given, and will be deemed to have been effectively delivered on:

- (a) the date of actual delivery, if couriered or personally delivered during normal business hours of the party to whom such notice is delivered (and if not, on the next following Business Day);
- (b) the first Business Day following the date of the fax, if faxed;

- (c) be enforceable against the Trustee by the Tribunal or Her Majesty in right of Canada.

No party may assign this Agreement or any benefits or obligations hereunder without the approval of the Tribunal.

8.02 Applicable Law

This Agreement (and any amendments hereto) shall be governed by the law of the Province of Alberta and the laws of Canada applicable therein.

8.03 Residence

The Company and the Trustee represent that they are, respectively, a resident of Canada within the meaning of the Tax Act.

8.04 Severability

In the event that any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination, so far as permitted under Applicable Law, shall not affect such provision in any other respect or any other provisions hereof, all of which shall remain in full force and effect.

8.05 Entire Agreement and Amendment

For greater certainty, this Agreement represents the entire agreement amongst the parties respecting the Trust and supersedes all prior discussions, agreements and understandings of every kind and nature amongst them.

8.06 Right to Disclose

The Trustee shall have the right to disclose any information disclosed or released to it if, in the opinion of the Trustee or its legal counsel, it is required to disclose under any Applicable Law, court order or administrative directions. The Trustee shall not be responsible or liable to any party for any loss or damage arising out of or in any way sustained or incurred relating to such disclosure.

8.07 Successor Trustee

Any company with which the Trustee may be amalgamated will become the successor Trustee hereunder without any further action on the part of the Trustee.

8.08 Review of Agreement

It is acknowledged that this Agreement shall be reviewed by the Trustee, the Company and the Tribunal at least every five (5) years, or earlier if directed by the Tribunal.

Schedule "A" – The Pipeline

The Trans Québec & Maritimes Pipeline System ("**TQM Pipeline**") is a natural gas pipeline system located in the Province of Quebec. The TQM Pipeline extends from a point of interconnection with the TransCanada Canadian Mainline at Saint-Lazare to a point near Québec City in the Municipality of Lévis on the south shore of the St. Lawrence River, and from Terrebonne, north of Montreal, to East Hereford on the border of the Province of Québec with the state of New Hampshire, where it interconnects with the Portland Natural Gas Transmission System, and includes all branches, extensions, tanks, reservoirs, storage facilities, pumps, racks, compressors, loading facilities, interstation systems of communication by telephone, telegraph or radio and other equipment and facilities used in connection with the TQM Pipeline, whether real or personal property, immovable or movable, including any real property rights and interests upon which such equipment and facilities are situated, and all intangible assets, rights and interests used primarily in the operation of the TQM Pipeline.

The TQM Pipeline is owned and operated pursuant to the authority granted under NEB Certificate of Public Convenience and Necessity No. GC-68.

- (vi) *of an educational institution or a hospital if repayment of the principal amount of the obligation and payment of the interest is to be made, or is guaranteed, assured or otherwise specifically provided for or secured by the government of a province],*

(d.5) [municipally-owned corporation earning] income within boundaries of entities] — subject to subsections (1.2) and (1.3), a corporation, commission or association not less than 90% of the capital of which was owned by one or more entities each of which is a municipality in Canada, or a municipal or public body performing a function of government in Canada, if the income for the period of the corporation, commission or association from activities carried on outside the geographical boundaries of the entities does not exceed 10% of its income for the period;

(d.6) [subsidiaries of municipal corporations] -- subject to subsections (1.2) and (1.3), a particular corporation all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more entities (referred to in this paragraph as "qualifying owners") each of which is, for the period, a corporation, commission or association to which paragraph (d.5) applies, a corporation to which this paragraph applies, a municipality in Canada, or a municipal or public body performing a function of government in Canada, if no more than 10% of the particular corporation's income for the period is from activities carried on outside

- (i) if a qualifying owner is a municipality in Canada, or a municipal or public body performing a function of government in Canada, the geographical boundaries of each such qualifying owner,
- (ii) if paragraph (d.5) applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in that paragraph in its application to each such qualifying owner, and
- (iii) if this paragraph applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in subparagraph (i) or paragraph (d.5), as the case may be, in their respective applications to each such qualifying owner.

- (c.1) debt obligations that meet the following criteria, namely,
- (i) any of
 - (A) the debt obligation had, at the time of acquisition by the trust, an investment grade rating with a prescribed credit rating agency,⁵
 - (B) the debt obligations have an investment grade rating with a prescribed credit rating agency,⁶ or
 - (C) the debt obligations were acquired by the trust in exchange for debt obligations that satisfied the condition in clause (A) and as part of a proposal to, or an arrangement with, the creditors of the issuer of the debt obligations that has been approved by a court under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act*, and
 - (ii) either
 - (A) the debt obligations were issued as part of a single issue of debt of at least \$25 million, or
 - (B) in the case of debt obligations that are issued on a continuous basis under a debt issuance program, the issuer of the debt obligations had issued and outstanding debt under the program of at least \$25 million,
 - (d) securities (other than futures contracts or other derivative instruments in respect of which the holder's risk of loss may exceed the holder's cost) that are listed on a designated stock exchange,⁷ and
 - (f) guaranteed investment certificates issued by a trust company incorporated under the laws of Canada or of a province.

The definition of "prohibited investment" in subsection 211.6(1) reads as follows:

"prohibited investment", of a trust at any time, means a property that

- (a) at the time it was acquired by the trust, was described by any of paragraphs (c), (c.1) or (d) of the definition "qualified investment" in section 204; and
- (b) was issued by

⁵ Pursuant to regulation 4900(2) of the *Income Tax Regulations* (Canada), the following are prescribed credit rating agencies for the purposes of section 204: A.M. Best Company Inc.; DBRS Limited; Fitch, Inc.; Moody's Investors Service Inc.; and Standard & Poor's Financial Services LLC.

⁶ Ibid.

⁷ Supra note 2.