



MINISTRY OF FORESTS,  
LANDS, AND NATURAL  
RESOURCE OPERATIONS  
POLICY

POLICY SUBJECT		
Timber Sale Licence Deposit Administration		
EFFECTIVE	RESPONSIBLE BRANCH	NUMBER
June 22, 2011	BC Timber Sales	19.1
APPROVED		

**Scope**

This policy, which cancels and replaces any policy or procedure pertaining to the administration of timber sale licence (TSL) deposits that existed prior to the effective date of this policy, applies in respect of any TSL issued under the *Forest Act* unless specifically exempted by an Executive Director, for the Timber Operations and Pricing Division.

**Purpose**

To ensure that TSL deposits are established and administered in a manner that is fair, legally compliant and consistent with the goals of BC Timber Sales (BCTS).

**Definitions**

For the purpose of this policy:

**TSL** means TSLs competitively awarded pursuant to Section 20 of the *Forest Act*, or Section 21 of the *Forest Act* as it was prior to its repeal on May 29, 2003, in which eligibility was restricted to one or more categories of *BC timber sales enterprises*.

**TSL bid deposit** means an acceptable form of deposit paid by an applicant for a TSL in accordance with Section 15 of the BC Timber Sales Regulation (BCTSR).

**TSL deposit** means an acceptable form of deposit paid by the successful applicant for a TSL in accordance with Section 16 of the BCTSR.

**The total estimated upset stumpage value**

- a) For a scale-based TSL is the product of the advertised competitive volume multiplied by the upset stumpage rate; or
- b) For a lump sum TSL (i.e., cruise-based/bonus offer), is the advertised upset stumpage amount.

**The total stumpage value**

- a) For a scale-based TSL, is the product of the advertised competitive volume multiplied by the sum of the upset stumpage rate plus the bonus bid; or
- b) For a lump sum TSL (i.e., cruise-based/bonus offer), is the advertised upset stumpage amount exclusive of any bonus offer.

**Acceptable form of deposit** means any or all of the following:

- cash, money order, bank draft, or certified cheque, payable to the revenue minister;
- a Safekeeping Agreement form executed by a chartered bank, credit union or trust company, verifying that assignable securities in

the amount designated by a Timber Sales Manager, are being held in safekeeping, and the rights and claims to the securities have been assigned to Minister of Finance; or

- an Irrevocable Letter of Credit, issued by a chartered bank, credit union or trust company, payable to the Minister of Finance, with a termination date not less than 120 days after the date of the deadline for applications, and which, if submitted by the successful applicant, must be replaced. Any Irrevocable Letter of Credit shall incorporate the following statement:

*"This Letter of Credit shall be deemed to be automatically extended on an annual basis without any formal amendment unless, thirty days prior to the present expiry or any future expiry date as automatically extended, we shall notify {name and address of licensee} and {timber sales manager and address of BC Timber Sales Office} in writing that we elect not to extend the Letter of Credit for any further period, and at the same time forward to the Timber Sales Manager, together with such written notice of election, a bank draft payable to the Minister of Finance in the amount of {\$\_\_\_\_\_} less any amount previously paid under this Letter of Credit."*

## Policy

It is the policy of the Ministry of Forests, Lands and Natural Resource Operations (the Ministry) that deposits associated with TSLs shall be established and administered as follows:

## Pre-issuance Deposit Management

### Applications

Where the Timber Sales Manager has specified that a **TSL bid deposit** is required and in accordance with the Section 15 of the BCTSR, each application for a TSL must be secured by its own discrete **TSL bid deposit**.

### Setting the TSL bid deposit

Subject to the exceptions described below, the timber sales manager will set the **TSL bid deposit** at the default amount determined in accordance with Section 15 (3) of the BCTSR (i.e., the greater of \$3,000 or 2% of the total estimated upset stumpage value).

#### Exceptions

In cases where the **total estimated upset stumpage value** is anticipated to be less than \$3,000, and pursuant to Section 15 (2)(a) and (b)(i) of the BCTSR, the Timber Sales Manager shall set the bid deposit amount at \$500 or stipulate that a bid deposit is unnecessary.

Where a Timber Sales Manager has set the bid deposit at \$500 or stipulated that a bid deposit is unnecessary, the Timber Sales Manager must state in the TSL Particulars that the normal standing **TSL bid deposit** provisions set out in Section 15 (1)(b) of the BCTSR do not apply.

### Refund of TSL bid deposits

Pursuant to Section 18 of the BCTSR, and subject to the following conditions, if an application for a TSL is not approved, the Timber Sales Manager will refund the **TSL bid deposit** paid in respect of that application:

1. The highest eligible application has been identified and approved by the Timber Sales Manager;
2. The Timber Sales Manager is satisfied that there is no longer a need for the **TSL bid deposit**;

3. The **TSL bid deposit** associated with the unsuccessful application is not needed to offset an outstanding debt payable to Government; and,
4. The unsuccessful applicant understands that the return of their **TSL bid deposit** signifies their withdrawal from the competition for the TSL.

### *Setting the TSL deposit*

Subject to the exceptions described below, the Timber Sales Manager shall set the **TSL deposit** at the default amount calculated in accordance with Section 16 (2) of the BCTSR (i.e., 10% of first \$100,000 of the total estimated stumpage and 5% of the remaining total estimated stumpage value):

#### Exceptions

In cases where an assessment indicates a significant risk to the Crown may result from a potential incidence of non-conformance with a contractual requirement of the TSL or non-compliance with a statutory requirement related to applicable forestry legislation, the Timber Sales Manager will set the amount of the **TSL deposit** at an appropriate level that is above the default minimums that would otherwise be calculated under Section 16 (2) of the BCTSR.

Where a Timber Sales Manager has set the **TSL deposit** amount at a level above the default amount calculated in accordance with Section 16 (2) of the BCTSR, the timber sales manager must state as such in the TSL Particulars.

### *Submission of the TSL deposit*

The successful applicant for a TSL must, on the demand of a timber sales manager, pay the **TSL deposit** before entering into that TSL. Subject to the exceptions described below, the maximum duration of that demand period shall be no longer than 10 business days following the advertised application opening date for the TSL.

#### Exceptions

1. Where a Timber Sales Manager requires more than 2 business days, to confirm the successful applicant's eligibility and to approve that person's application for the TSL; or,
2. Where an Executive Director for the Timber Operations and Pricing Division determines that a longer period is warranted.

In the event that the applicant fails to pay the **TSL deposit** in accordance with the demand notice and timing limitations set out above, the Timber Sales Manager shall, for the purposes of Section 19 (1) of the BCTSR, deem the applicant as having refused to enter into the TSL resulting in the forfeiture of the **TSL bid deposit**.

### **Post-issuance Deposit Management**

#### *Extension, Surrender, Expiry, Cancellation*

Deposits associated with TSLs that have been successfully entered into shall be administered in accordance with the *Forest Act*, the specific terms of the agreement, the BCTSR and the general procedures described within Schedules A, B and C.

### **Responsibilities**

#### **Executive Directors, Timber Operations and Pricing Division**

The Executive Directors, Timber Pricing and Operations Division are responsible for:

- Monitoring the effectiveness and administration of this policy;
- Ensuring TSL deposits are established and administered in accordance with this policy;

- Providing advice to the Timber Sales Managers respecting the implementation of this policy; and,
- Recommending changes to this policy to the Assistant Deputy Minister, Timber Operations and Pricing Division as required.

**Timber Sales Managers**

Timber Sales Managers are responsible for:

- Establishing and administering TSL deposits in accordance with this policy; and,
- Recommending changes to this policy to the Executive Directors, Timber Operations and Pricing Division.

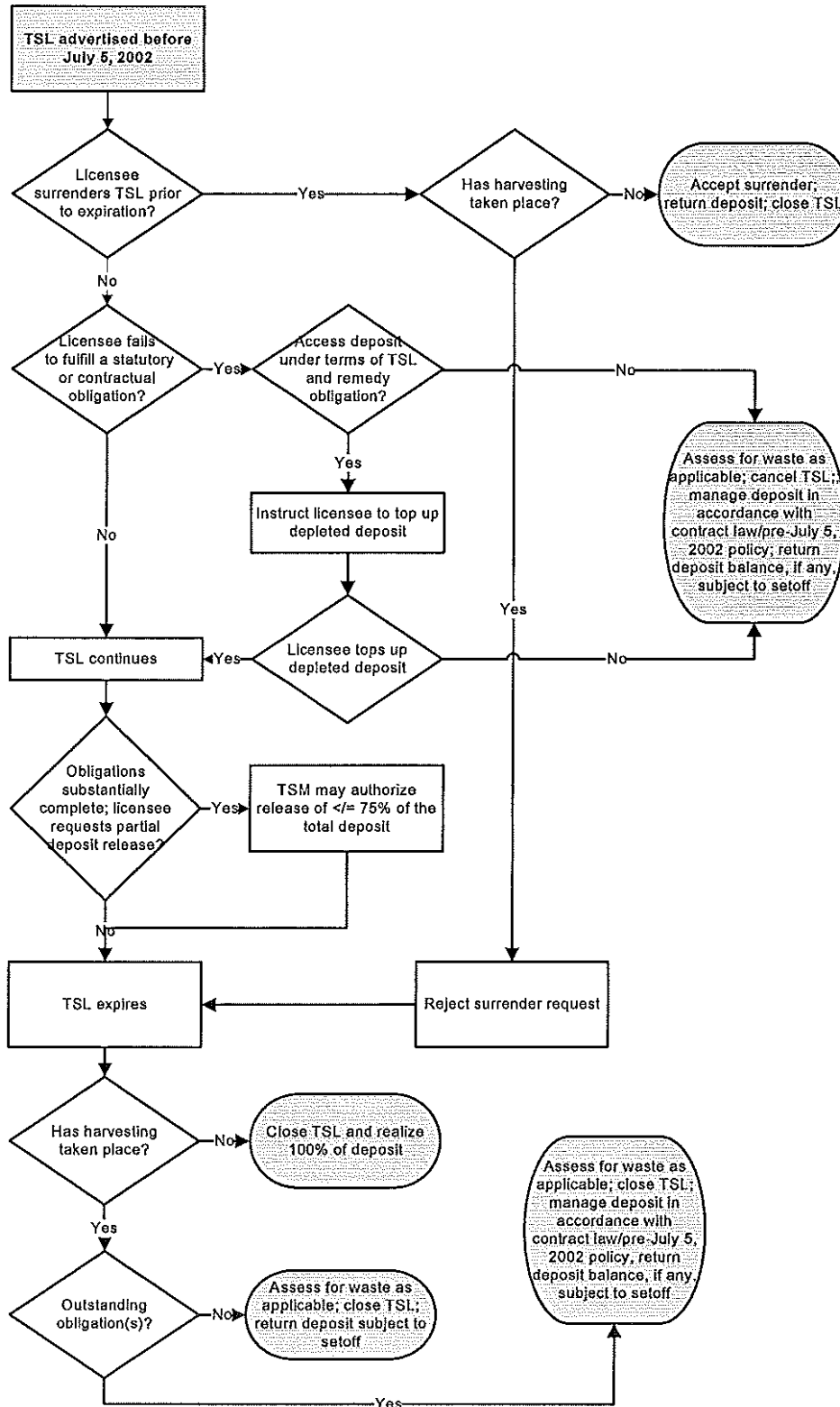
**Effective Date**

This policy is in effect June 22, 2011

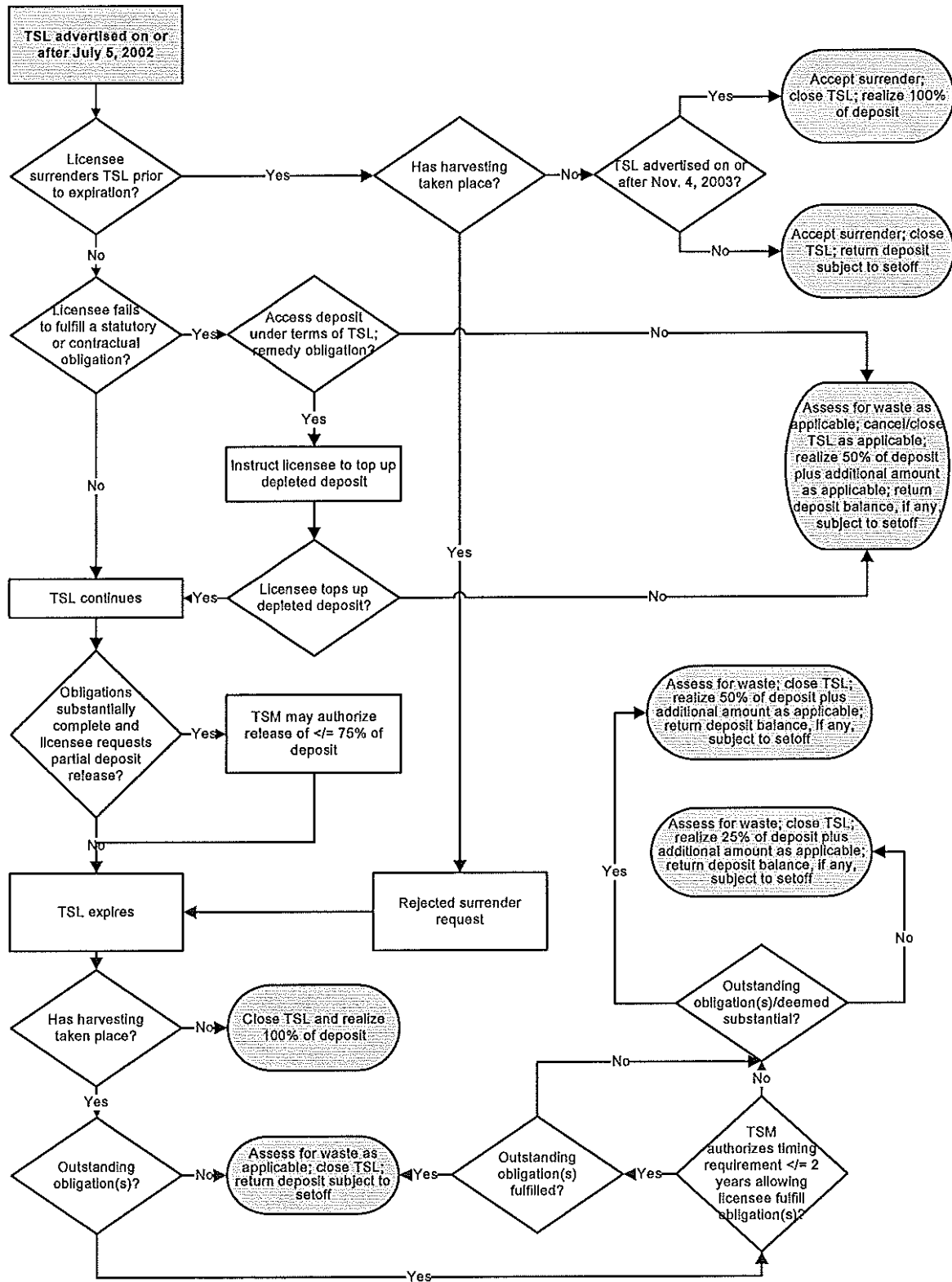
**References**

- *Forest Act*, Sections 20, 21 as it was prior to its repeal, 22, 58.3 and 78
- *BC Timber Sales Regulation* (B.C. Reg. 381/2008)

**Schedule A - General post-issuance deposit management procedures for TSLs advertised before July 5, 2002**



**Schedule B - General post-issuance deposit management procedures for TSLs advertised on or after July 5, 2002**



---

**Schedule C – Pre-July 5, 2002 TSL Deposit Management Policy**

Contact BCTS policy department for guidance.

TIMBER SALE LICENCE {FOREST\_FILE\_ID}

DECLARATION of OVERDUE ACCOUNT and "ARM'S LENGTH" RELATIONSHIPS

1) This form must be filled out in full by the applicant.

2) I/we declare that I/we (check one)

(a) do \_\_\_\_\_

(b) do not \_\_\_\_\_

owe money to the Government under the *Forest Act*, inclusive of any repayment arrangements satisfactory to the Minister of Finance, in an account greater than 28 days past due.

3) Please identify in paragraph 4 of this declaration each and every person with whom the applicant is not at arm's length and who owes money to Government under the *Forest Act*, inclusive of any repayment arrangements satisfactory to the Minister of Finance, in an account over 28 days past due.

(a) For the purpose of this declaration, "arm's length" relationships are determined in accordance with the federal *Income Tax Act*, which is available at the following website address:

<http://laws.justice.gc.ca/eng/I-3.3/page-23.html>

(b) Additional information on determining "arm's length" relationships can be found at:

<http://www.cra-arc.gc.ca/E/pub/tp/it419r2/it419r2-e.html>, and

(c) (PENDING - BCTS Advisory Bulletin 31/05/11 – "Arms' Length Relationships").

4) I/we declare that I/we am/are "*not at arm's length*" with the following individuals and corporations owing money to the Government under the *Forest Act*, inclusive of any repayment arrangements satisfactory to the Minister of Finance, in an account greater than 28 days past due:

---

---

---

---

---

---

---

---

---

---

Signature	Printed Name
	Title (for corporations)
Date signed (yyyy/mm/dd)	



File: 10765-01

## **Advisory Bulletin No. 22/06/11 – Stumpage liability & lump sum timber sale licences**

### **PURPOSE**

This bulletin provides information to customers and BC Timber Sales (BCTS) staff regarding stumpage liability as it relates to lump sum timber sale licences (LSTSLs).

### **BACKGROUND**

LSTSLs (i.e., those for which stumpage is calculated using the information provided by a cruise of the timber conducted before the timber is cut) were introduced by BCTS in late 2008 and now comprise a significant component of the program's annual sales plans. Given the results-based nature of the BCTS tenure model and an initial focus on the pursuit of innovative ways of minimizing waste and marketing low value fibre, BCTS was reluctant to provide formal guidance with respect to stumpage liability issues. However, now that the innovative TSL initiative has matured and LSTSLs are in mainstream use such guidance is now considered appropriate.

### **DEFINITION**

For the purposes of this bulletin, "stumpage" in respect of a LSTSL means the total stumpage value plus the applicable bonus offer.

### **GUIDANCE**

Section 130 of the *Forest Act* stipulates, among other things, the circumstances that money is required to be paid to the government (e.g., stumpage in respect of a LSTSL). The section also establishes the authority for government to place a lien in favour of the government to recover that money. Section 131 of the *Forest Act* further establishes that a person who acquires or deals in timber can also be held liable for any unpaid money due the Crown in respect of that timber.

In the above context, staff in the Forest Revenue Operations department of the Ministry of Finance (i.e., the government agency with the primary responsibility for invoicing and collecting stumpage) have expressed the following views regarding how they will typically apply section 130 and 131 *Forest Act* authority insofar as LSTSLs are concerned:

**Question 1** - Will the grade of any timber purchased by a person who acquires or deals in timber on which stumpage has not been paid from a LSTSL be considered with respect to stumpage liability?



File: 10765-01

---

**Answer 1** – In the case of LSTSLs it is unlikely that timber grades would be used to determine a person's stumpage liability. Forest Revenue Operations will instead seek to recover stumpage based on the total volume of wood purchased divided by the total value of the LSTSL. For example, if the total stumpage on a LSTSL is \$1.2 million and a person acquires 50% of the timber volume on which stumpage hasn't been paid then that person would be found liable for \$600,000 in stumpage due the Crown.

**Question 2** – How would stumpage liability be determined where the total volume of timber removed from the LSTSL is less than the cruise volume upon which the stumpage is based (i.e., volume shortfall)?

**Answer 2** – Forest Revenue Operations will seek to recover stumpage based on the volume of timber a person who acquires or deals in timber on which stumpage has not been paid receives. For example, the total stumpage on a LSTSL with an estimated volume of 50,000 m<sup>3</sup> is \$1.8 million. A total volume of timber cut and removed from the LSTSL is 40,000 m<sup>3</sup> and 25% of that 40,000 m<sup>3</sup> is acquired by a log broker (i.e., 10,000 m<sup>3</sup>). In such a case, in the event the LSTSL holder has not paid stumpage on the 10,000 m<sup>3</sup> the broker could be found liable for \$360,000 in stumpage (i.e., 10,000 m<sup>3</sup> represents 20% original timber volume estimated by the cruise, so the stumpage liability is 20% of \$1.8 million or \$360,000).

**Question 3** – How would stumpage liability be determined where the timber volume is destroyed prior to delivery a person acquiring or dealing in the timber?

**Answer 3** – Stumpage liability to anyone who deals in wood on which stumpage has not been paid will be limited to the volume of timber they received. As such, in this example since the person did not receive any timber before it was destroyed they would not bear any of the stumpage liability.

**Question 4** – How would stumpage liability be determined with respect to the LSTSL holder where the total volume of timber removed from the LSTSL is less than the timber cruise volume estimate upon which the stumpage is based (i.e., volume shortfall)?

**Answer 4** – Pursuant to section 106 of the *Forest Act*, the cruise is the sole means by which stumpage is determined for a LSTSL. As such, and given the binding nature of the LSTSL application and LSTSL itself, the LSTSL holder is liable paying all stumpage due the Crown regardless of the volume of timber that person actually cuts and removes from the cutting authority area or is estimated in the cruise.



File: 10765-01

---

**Question 5** – How would stumpage liability be determined with respect to the LSTSL holder where the total volume of timber removed from the LSTSL exceeds the timber cruise volume estimate upon which the stumpage is based (i.e., volume overage)?

**Answer 5** – In this situation the LSTSL holder's stumpage liability is limited to the stumpage the person committed to pay in their successful LSTSL application and as set out in the LSTSL itself.

**Question 6** – How would stumpage liability be determined with respect to a LSTSL holder where all or a portion of the timber is destroyed by fire prior to delivery to mill?

**Answer 6** – Subject to extenuating circumstances, the LSTSL holder will be considered liable for all stumpage due the Crown irrespective whether that timber was cut, removed or destroyed by fire.

### **CONTACTS**

For further information regarding this advisory bulletin please contact Shawn Hedges, Ministry of Forests, Lands and Natural Resource Operations at (250) 387-8944 or [shawn.hedges@gov.bc.ca](mailto:shawn.hedges@gov.bc.ca).



File: 10765-01

## **Advisory Bulletin No. 23/06/11 – Arm's length relationships**

### **PURPOSE**

This bulletin provides information to customers and BC Timber Sales (BCTS) staff regarding how the concept of arm's length relationships should be applied in respect of applications for registration as a BCTS enterprise and timber sale licences (TSLs).

### **GUIDANCE**

#### Legislative authority

Section 81 (5) and (6) of the *Forest Act* authorises the timber sales manager to refuse an application for a TSL on the grounds that the applicant, or a person not at "arm's length" from the applicant, has not paid stumpage or other money payable to government, or has not made arrangements satisfactory to the revenue minister to pay the stumpage or other money.

Similarly, section 7 of the BCTS Regulation authorises a timber sales manager to refuse to register a person as a BCTS enterprise on the grounds that the applicant, or a person not at arm's length with the applicant, has not paid stumpage or other money payable to government, or has not made arrangements satisfactory to the revenue minister to pay the stumpage or other money.

#### Non current account declaration

The Application and Tender form for all TSLs now requires all bidders to declare if they have a non-current *Forest Act* related account with government (i.e., accounts 28 days or greater past due), inclusive of debts owed by person's not at arm's length with the applicant and inclusive of any debts covered under repayment plans established with the revenue minister. In the event a person successfully acquires a TSL based on erroneous information contained in this declaration a timber sales manager could, pursuant to authority set out in section 78 of the *Forest Act*, decide that the circumstances warrant enforcement such as suspension or cancellation of the TSL or disqualification as a BCTS enterprise.

#### Arm's length defined

The term "arm's length" can be confusing and is meant to imply a business-like relationship or a not overly close relationship; the opposite of "arm's length" would be an intimate relationship typified by mutually beneficial arrangements or familial connections (this is referred to as "not at arm's length" or "non-arm's length"). Regardless, timber sales managers evaluating information contained in



File: 10765-01

TSL or registration applications are advised to apply the "arm's length" concept in a manner consistent with how the term is defined in section 251 of the federal *Income Tax Act* (reference Appendix A of this bulletin, <http://laws-lois.justice.gc.ca/eng/acts/I-3.3/page-454.html> and federal Interpretation Bulletin IT-419R2, <http://www.cra-arc.gc.ca/E/pub/tp/it419r2/it419r2-e.html>). In doing so, timber sales managers should give consideration to factors such as, but not necessarily limited to:

- Established policy (e.g., TSL deposit administration policy 19.1);
- The amount and duration that an account may be non-current;
- The applicant's past performance with respect to repayment of Crown debt; and,
- The nature of the outstanding account.

To illustrate, and by way of the following TSL auction example, a timber sales manager may decide to accept an application for a TSL from a person where individual's non current account balance is immaterial or that account has been current until shortly before the tender opening. Similarly, where the applicant does not have a history of outstanding accounts the outstanding account is the result of the actions of a third party not paying stumpage on behalf of the applicant.

Conversely, a timber sales manager may decide to refuse to accept an application for a TSL from a person who is found not to be at arm's length with a person that has material non current account and both person's have a history of poor debt repayment performance. In making his or her decision the question the timber sales manager should always ask is "*which ministry objective am I attempting to further by rendering this decision?*"

#### Effect of receivership and bankruptcy

The rules respecting receivership, bankruptcy and non arm's length are complex and can differ significantly depending on the specific circumstance that relate to a given person (i.e., an individual or a corporation) and application for a TSL or registration as a BCTS enterprise. As such, it is recommended that BCTS staff obtain legal advice through appropriate channels when faced with this type of situation before making a section 81 of the *Forest Act* or section 7 of the BCTS regulation determination.

#### Confirming a person's government account status

As a general rule, BCTS staff should undertake a review of the Accounts Receivable Management System, the Client Management System, the Forest Tenure Administration System and BCTS Admin as part of their due diligence standard operating procedures for evaluating TSL and registration applications.



Ministry of Forests,  
Lands and Natural Resource  
Operations



File: 10765-01

BCTS staff and the public can ascertain a person's current forest account status by visiting the Ministry of Finance web-site located at <http://www.rev.gov.bc.ca/frb/index.htm> or by contacting one of the following Ministry of Finance staff:

<b>Forest Revenue Operations Contacts</b>			
<b>Forest Revenue Operations - Victoria</b>			
		<b>Phone</b>	<b>Fax</b>
David Marson	Manager, Forest Revenue Operations	250 387-8623	250 356-5604
Carl Jensen	Supervisor, Forest Revenue Operations	250 387-1720	250 356 5604
Melodie Louie	General Inquiries	250 387-3376	250 356-5604
Margaret-Ann Cotton	General and Trust Inquiries	250 356-8978	250 356-5604
Marg Krowec	EFTs and PC/Tel Banking	250 387-1128	250 356-5604
<b><u>Southern Interior Forest Region</u></b>			
	email: <a href="mailto:FIN_REV_G_FRB_(RSI)_FIN_EX">FIN_REV_G_FRB_(RSI)_FIN_EX</a>		
Larry McLean	Southern Interior Inquiries & Trust	250 356-0454	250 356-5604
Magda Kernel	Southern Interior Inquiries & Trust	250 356-0636	250 356-5604
<b><u>Northern Interior Forest Region</u></b>			
	email: <a href="mailto:FIN_REV_G_FRB_(RNI)_FIN_EX">FIN_REV_G_FRB_(RNI)_FIN_EX</a>		
Kelly Werbowski	Northern Interior Inquiries & Trust	250-387 5227	250-356-5604
<b><u>Coast Forest Region</u></b>			
	email: <a href="mailto:FIN_REV_G_FRB_(RCO)_FIN_EX">FIN_REV_G_FRB_(RCO)_FIN_EX</a>		
Dean Cameron	Coast Inquiries & Trust	250 356-1841	250 356-5604
<b>Forest Revenue Collections</b>			
Deb O'Neill	Collection Inquiries	250 356-0062	250 356-5604
Judy Fenwick	Collection Inquiries	250 828-4110	250 371-3880
Dale Gilbert	Collection Inquiries	250 847-7675	250 847-7343
Lindsay Morris	Collection Inquiries	250-356-6748	250 356-5604
Mary Lou Bannister	Collection Inquiries	250 387-1906	250 356-5604



Ministry of Forests,  
Lands and Natural Resource  
Operations



File: 10765-01

---

Additional Ministry of Finance contact information can be found at:  
<http://frb.rev.gov.bc.ca/contacts.htm>.

### **CONTACTS**

For further information regarding this bulletin please contact your local timber sales office.

**Excerpt – *Income Tax Act (Canada)***

**Section 251 of the *Income Tax Act***

This section is the federal statutory provision for determining arm's length relationships.

**251. (1) For the purposes of this Act,**

- a. related persons shall be deemed not to deal with each other at arm's length;
- b. a taxpayer and a personal trust (other than a trust described in any of paragraphs (a) to (e.1) of the definition "trust" in subsection 108(1)) are deemed not to deal with each other at arm's length if the taxpayer, or any person not dealing at arm's length with the taxpayer, would be beneficially interested in the trust if subsection 248(25) were read without reference to sub clauses 248(25)(b)(iii)(A)(II) to (IV); and
- c. where paragraph (b) does not apply, it is a question of fact whether persons not related to each other are at a particular time dealing with each other at arm's length.

**Definition of "related persons"**

(2) For the purpose of this Act, "related persons", or persons related to each other, are

- a. individuals connected by blood relationship, marriage or common-law partnership or adoption;
- b. a corporation and
  - i. a person who controls the corporation, if it is controlled by one person,
  - ii. a person who is a member of a related group that controls the corporation, or
  - iii. any person related to a person described in subparagraph 251(2)(b)(i) or 251(2)(b)(ii); and
- c. any two corporations
  - i. if they are controlled by the same person or group of persons,
  - ii. if each of the corporations is controlled by one person and the person who controls one of the corporations is related to the person who controls the other corporation,
  - iii. if one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation,
  - iv. if one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation,
  - v. if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation, or



File: 10765-01

- vi. if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation.

**Corporations related through a third corporation**

- (3) Where two corporations are related to the same corporation within the meaning of subsection 251(2), they shall, for the purposes of subsections 251(1) and 251(2), be deemed to be related to each other.

**Relation where amalgamation or merger**

- (3.1) Where there has been an amalgamation or merger of two or more corporations and the new corporation formed as a result of the amalgamation or merger and any predecessor corporation would have been related immediately before the amalgamation or merger if the new corporation were in existence at that time, and if the persons who were the shareholders of the new corporation immediately after the amalgamation or merger were the shareholders of the new corporation at that time, the new corporation and any such predecessor corporation shall be deemed to have been related persons.

**Amalgamation of related corporations**

- (3.2) Where there has been an amalgamation or merger of 2 or more corporations each of which was related (otherwise than because of a right referred to in paragraph 251(5)(b)) to each other immediately before the amalgamation or merger, the new corporation formed as a result of the amalgamation or merger and each of the predecessor corporations is deemed to have been related to each other.

**Definitions concerning groups**

- (4) In this Act,

"related group"

"related group" means a group of persons each member of which is related to every other member of the group;

"unrelated group"

"unrelated group" means a group of persons that is not a related group.

**Control by related groups, options, etc.**

- (5) For the purposes of subsection 251(2) and the definition "Canadian-controlled private corporation" in subsection 125(7),
- a. where a related group is in a position to control a corporation, it shall be deemed to be a related group that controls the corporation whether or not it is part of a larger group by which the corporation is in fact controlled;
  - b. where at any time a person has a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently,

File: 10765-01

- i. to, or to acquire, shares of the capital stock of a corporation or to control the voting rights of such shares, the person shall, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, be deemed to have the same position in relation to the control of the corporation as if the person owned the shares at that time,
  - ii. to cause a corporation to redeem, acquire or cancel any shares of its capital stock owned by other shareholders of the corporation, the person shall, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, be deemed to have the same position in relation to the control of the corporation as if the shares were so redeemed, acquired or cancelled by the corporation at that time;
  - iii. to, or to acquire or control, voting rights in respect of shares of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person could exercise the voting rights at that time, or
  - iv. to cause the reduction of voting rights in respect of shares, owned by other shareholders, of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the voting rights were so reduced at that time; and
- c. where a person owns shares in two or more corporations, the person shall, as shareholder of one of the corporations, be deemed to be related to himself, herself or itself as shareholder of each of the other corporations.

**Blood relationship, etc.**

- (6) For the purposes of this Act, persons are connected by
- a. blood relationship if one is the child or other descendant of the other or one is the brother or sister of the other;
  - b. marriage if one is married to the other or to a person who is so connected by blood relationship to the other;
  - (b.1) common-law partnership if one is in a common-law partnership with the other or with a person who is connected by blood relationship to the other; and
  - c. adoption if one has been adopted, either legally or in fact, as the child of the other or as the child of a person who is so connected by blood relationship (otherwise than as a brother or sister) to the other.